

A280.29
F22G
Cop. 2

U. S. DEPT. OF AGRICULTURE
FARMER COOPERATIVE SERVICE

GENERAL REPORT NO. 140

MAR 30 1967

CURRENT SERIAL E. 63733

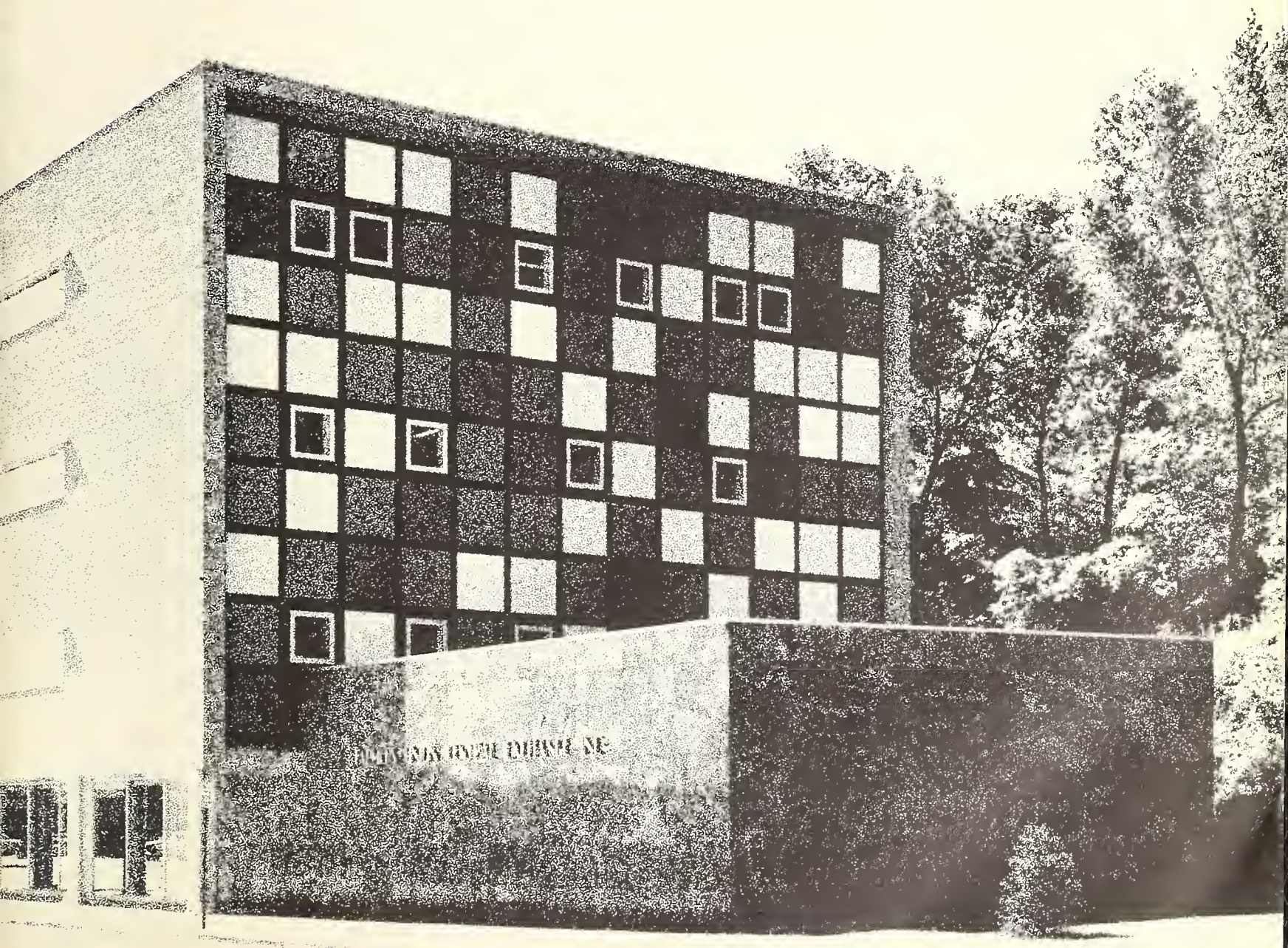
Handbook on

MAJOR REGIONAL COOPERATIVES HANDLING SUPPLIES

1964 & 1965

FARMER COOPERATIVE SERVICE

• U.S. DEPARTMENT OF AGRICULTURE



Historic, archived document

Do not assume content reflects current
scientific knowledge, policies, or practices.

FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

Farmer Cooperative Service conducts research; advises directly with cooperative leaders and others; promotes cooperative organization and development through other Federal and State agencies; and publishes results of its research, issues News for Farmer Cooperatives, and other education material.

This work is aimed (1) to help farmers get better prices for their products and reduce operating expenses, (2) to help rural and small-town residents use cooperatives to develop rural resources, (3) to help these cooperatives expand their services and operate more efficiently, and (4) to help all Americans understand the work of these cooperatives.

Contents

Page

Part I

Association reports for 19 major regional cooperatives	5
Agway Inc., Syracuse, N.Y.	5
Consumers Cooperative Association, Kansas City, Mo. (now Farmland Industries). . . .	11
FS Services, Inc., Bloomington, Ill.	15
Farmers Union Central Exchange, Inc., St. Paul, Minn.	17
Southern States Cooperative, Inc., Richmond, Va.	20
Midland Cooperatives, Inc., Minneapolis, Minn.	24
Indiana Farm Bureau Cooperative Association, Inc., Indianapolis, Ind.	27
Western Farmers Association, Seattle, Wash.	31
The Farm Bureau Cooperative Association, Inc., Columbus, Ohio	34
Pacific Supply Cooperative, Portland, Oreg.	37
Tennessee Farmers Cooperative, La Vergne, Tenn.	39
Farmers Elevator Service Company, Inc., Fort Dodge, Iowa	42
FCX, Inc., Raleigh, N.C.	44
M. F. A. Milling Company, Springfield, Mo.	47
Pennsylvania Farm Bureau Cooperative Association, Harrisburg, Pa.	48
Pacific Growers, Inc., San Leandro, Calif.	50
Farm Bureau Services, Inc., Lansing, Mich.	53
Farmers Union State Exchange, Omaha, Nebr.	57
Southern Farmers Association, North Little Rock, Ark.	58

Part II

Supply business and facilities of two major regional marketing cooperatives.	61
The Cotton Producers Association, Atlanta, Ga.	61
Land O'Lakes Creameries, Inc., Minneapolis, Minn.	62

Part III

Summary of 19 major regional cooperatives	64
Years organized.	64
Type and number of retail outlets	64
Number of patrons served	64
Financial requirements for membership.	64
Voting provisions	65
Number, selection, and terms of directors	65
Number and type of employees	66
Fiscal year endings	66
Sales of supplies, by types	67
Farm products marketed	69
Amount and distribution of net margins	70
Total cash payments of dividends, refunds, and revolving capital	72
Total net margins since organizing	74
Financial condition	74
Net worth or member equities	76
Type and value of principal facilities	77
Appendix.	78

Handbook on Major Regional Cooperatives

Handling Supplies, 1964 and 1965

By J. Warren Mather
Farm Supplies Branch
Purchasing Division

At the outset of World War II, officials of several regional cooperatives indicated the need for a publication that would point out to Federal and State agencies the importance of agricultural cooperatives in providing farmers with essential production supplies and equipment. As a result, publication of this handbook was begun with information voluntarily supplied by 17 of the major regional farm supply associations in the United States.

Its publication has been continued to help farm leaders, educational institutions, government agencies, and others to better understand the operations, trends, and progress of cooperatives handling supplies, and the benefits farmers derive from these associations.

Handbooks were published annually through 1957; since then they have been issued every other year. They present highlights of each association's organizational structure, membership services, volume, facilities, financial condition, and net savings.

This report contains information provided and approved by 21 major regional cooperatives. There are approximately 10 other major

regional cooperatives and 9 federations of regionals (national or area cooperatives) that are not included in this handbook. Their names and addresses are listed in the appendix.

A "regional association" in this report refers to one that wholesales supplies to local retail cooperatives, or one that directly retails supplies to farmers over an area comprising a part of a State, an entire State, or several States. In either case, the regional may manufacture some of the supplies it distributes.

A "major regional association" refers to one handling more than \$10 million worth of supplies annually.

"Farm production supplies" include feed, seed, fertilizer, petroleum products, and all other types of supplies and equipment used in farm production.

Part I gives detailed information on 19 of the major regional cooperatives handling supplies for their fiscal years ended in 1964 and 1965. Their locations are shown in figure 1.

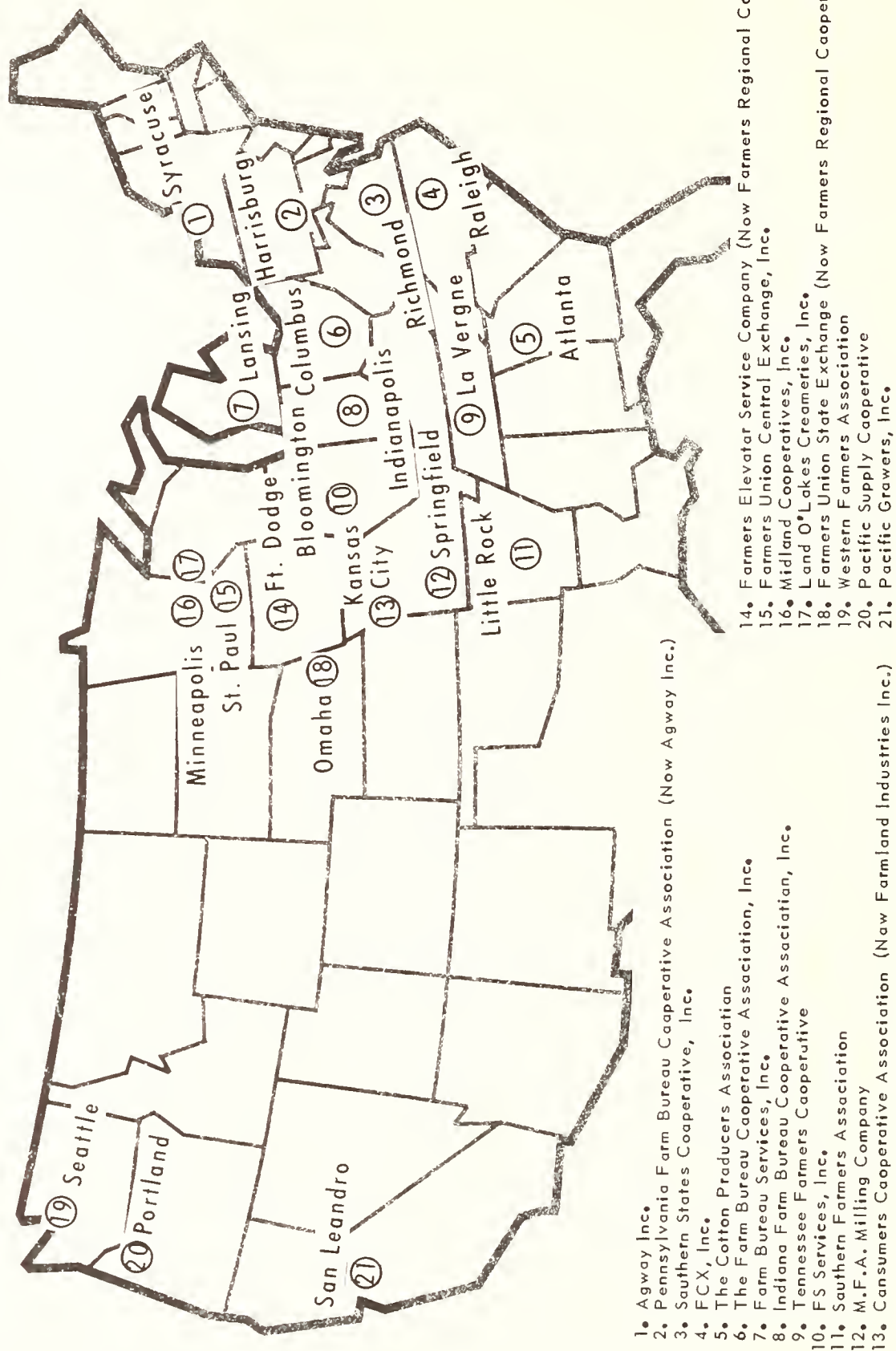
The associations appear in this report in the order of their total wholesale supply business, or retail business where all sales were at that level, for fiscal 1965. There was wide variation among them in forms of organization, methods of operation, and accounting and reporting practices. However, the information presented on sales, net margins, facilities, and financial condition is quite comparable.

Of the 19 cooperatives, 15 mainly performed wholesale services for retail cooperatives

Note: The author expresses appreciation to Ella S. Wells and others in the Statistical Unit, Administrative Management Division, for analyzing data contained in this report.

FIGURE 1

LOCATION OF 21 MAJOR REGIONAL COOPERATIVES HANDLING SUPPLIES, 1965



and other outlets of various types; these were federated cooperatives. Two associations distributed all supplies at retail--direct to individual patrons; these were centralized associations. The remaining two did a substantial volume at both wholesale and retail.

Of the 19 associations, 12 also marketed farm products. In two of them, marketing sales equaled or exceeded their supply sales.

Part II shows only the supply sales, net margins on supplies, and supply facilities used by two predominantly regional marketing cooperatives (fig. 1). A few other major regional marketing cooperatives also perform extensive farm production supply services as a sideline.

Part III consolidates the detailed information on the group of 19 associations for fiscal 1964 and 1965.

PART I

Association Reports for 19 Major Regional Cooperatives

For each association, highlights of its organizational features at the close of its 1965 fiscal year are presented. Information is included on date organized, area of service, type and number of retail outlets, number of patrons served, financial requirements for membership, voting provisions, number of directors and lengths of their terms, and number of employees.

Highlights of the operating and financial position of each association for fiscal years ending in 1964 and 1965 are also presented. Included are sales of farm supplies and farm products by type; amount and distribution of net margins; cash payments of current dividends, refunds, and revolving capital; condensed balance sheets; itemized member equities; and type and value of fixed assets.

Agway Inc.

Agway Inc., Syracuse, N.Y., was organized under the Delaware General Corporation Law early in 1964 to effect a merger of Cooperative Grange League Federation Exchange, Inc., Ithaca, N.Y. (commonly called GLF--formed in 1920) and Eastern States Farmers' Exchange, Inc., West Springfield, Mass. (formed in 1918). The merger became effective July 1, 1964.

As of June 1, 1965, Agway, Inc., acquired the assets and assumed the liabilities and reserves of the Pennsylvania Farm Bureau Cooperative Association, Harrisburg, Pa., and 30 of its affiliated local retail Farm Bureau cooperatives, as well as the Farm Bureau Marketing Cooperative at Harrisburg. On November 1, 1965, the Burlington County Farmers Cooperative Association, Mt. Holly, N.J., was merged into Agway.

Agway provides supply manufacturing, purchasing, and distribution services and farm product processing and marketing services for farmers in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, Vermont, New York, New Jersey, Pennsylvania, Rhode Island, northern and eastern Maryland, and northeastern Ohio.

Agway basically is a centralized cooperative in which farmers hold direct membership. Only farmers and farmer cooperatives may become members by acquiring one \$25 share of common stock, and who, as patrons, purchase farm supplies or farm services, or market farm products through Agway. Each member has one vote in the affairs of the association. No person may hold more than one share of common stock, nor more than \$2,000 in aggregate face amount of membership debentures.

As of the fiscal year ending June 30, 1965, Agway had 85,000 individual farmer-members. Also it served a large number of non-member farmers and other rural and suburban patrons.

Agway's board of directors also has authorized the payment of patronage refunds to patrons other than members, which are designated as "contract patrons." On June 30, 1965, Agway had contracts with about 210 seed dealers in the central States which purchase seed from Agway, 1 cooperative in Puerto Rico, several departments or agencies of State governments, the Federal Government, and charitable, religious, and educational institutions producing farm products.

The control of Agway is vested in its board of directors, consisting of 34 members. At the October 21, 1965, annual meeting 18 directors representing 18 districts were elected

for 3-year terms on a staggered basis. The remaining 16 directors were elected for one term only, which was to be equal in length of time to the term of the director representing the district in which such person resides. These 16 directors were nominated by the Agway Council of 100 members appointed by Agway's president. As the terms of the 16 directors expire, the number gradually will be reduced to the 18 district directors by October 1968.

Members doing business with each Agway distribution point or combination of distribution points select a local member committee. These committees act in an advisory capacity and nominate directors in each of the 18 districts. On June 30, 1965, there were 455 local or zone committees consisting of 3,746 members.

Nominations for a director from each district are made by local member committees with the help of an advisory nominating committee for each district that is appointed by Agway's president. The advisory nominating committee for each district consists of one director of Agway from outside the district, and not less than two nor more than six Agway members residing within the district.

Prior to the annual meeting of Agway, local committeemen meet with the advisory committee for that district. At that time the advisory committee presents its recommended nomination. Additional nominations may be made from the floor. If there is more than one nomination, the local committee chairmen within the district vote by ballot. The vote of each chairman is weighted by the volume of member business done at the distribution point or combination of distribution points he represents. No chairman, however, has more than five votes.

Because of Agway's size, it set up a council to function between members and the board of directors. This is the Agway Council of some 100 outstanding farmers appointed by the president from among members residing in all parts of Agway's trade area. The Council also advises the board of directors, with which it meets twice a year.

On June 30, 1965, Agway was providing supplies and marketing and related services

to its patrons through the following types of local distribution points:

Distribution and marketing outlets	Number
Agway store corporations (cooperatives)	189
Agway marketing corporations (cooperatives)	2
Agway-owned stores	204
Agway representatives:	
Independent retail dealers	486
Independent cooperatives	56
Agway Petroleum Corporation outlets:	
Retail plants	104
Franchised commission agents	6
Total	1,047

The Agway store corporations are retail cooperatives managed by Agway. Technically, they are subsidiaries of Agway, because it holds all of their common stock under a trustee-ownership arrangement. Local farmer-members own the nonvoting preferred stock of each. These service store cooperatives sell supplies, market members' crops, and provide special services, such as grinding and mixing feed, and spreading lime and fertilizer. The Agway marketing corporations also are managed subsidiaries.

The 189 Agway store corporations and the 2 Agway marketing corporations conduct about 26 percent of Agway's total product and service volume.

The Agway-owned stores are branch retail outlets that operate largely in New England and in south-central Pennsylvania.

Agway store corporations and Agway-owned stores hold annual meetings, at which time local committees are elected. Such committees have many of the powers of a local board of directors. Many of the store corporations are financed centrally, and some are financed directly through the Baltimore and Springfield

Banks for Cooperatives. The area offices of Agway supervise the store corporations under management contracts that may be canceled at any time by action of the membership.

The retail bulk oil plants and service stations are owned by Agway Petroleum Corporation--a wholly owned subsidiary of Agway. The Agway-owned stores and Agway Petroleum Corporation together accounted for about 36 percent of Agway's total sales and service volume in 1965.

Independent retail dealers and independent local cooperatives become Agway representatives by obtaining a franchise to handle Agway commodities in accordance with Agway policies. They are authorized to provide supplies and services in those areas in the States in which Agway operates, but where there are no Agway-owned or -managed cooperatives or stores. They maintain patronage records of business transacted with Agway members so that Agway may distribute wholesale patronage refunds direct to them. These two types of outlets handle about 38 percent of Agway's total sales and service volume.

Certain operations were conducted through the following wholly owned subsidiaries in 1965: (1) Agway Petroleum Corporation; (2) Comark Corporation, which houses operations developed outside the essential commodity business of certain local cooperatives and which are difficult to conduct strictly as cooperatives. It presently owns and operates home and garden supply centers mostly in suburbs; (3) Telmark, Inc., which is a finance and credit company handling retail installment contracts, deferred credit for crop and poultry supplies, and some consumer credit; and it also does equipment leasing for patrons; and (4) Grange League Federation Insurance Company (now the Agway Insurance Company) which writes accident and health, liability, fire, and other types of insurance. This company is excluded from consolidated statements of Agway because of the unrelated nature of its operations.

The supply business of Agway and its subsidiaries reached almost \$300 million in fiscal 1965. Agway sales were at both wholesale and retail levels. More than half of total sales was feed (table 1). The quantities of principal

Table 1.--Net value of supplies sold--part at wholesale and part at retail--by Agway Inc., and its consolidated subsidiaries, fiscal years ended June 30, 1964 and 1965

Commodities	¹ 1964	² 1965
Feed, grain, flour, and cereals	\$159,822,783	\$159,869,087
Fertilizer and lime (including shells and bedding)	31,040,620	34,843,269
Petroleum products	35,305,733	40,517,236
Seed and seed potatoes	13,841,971	12,476,686
General farm supplies and equipment ³	37,381,598	43,025,571
Pesticides and other farm chemicals	9,130,389	8,843,766
Total	286,523,094	299,575,615

¹Includes supplies sold at wholesale to Agway store corporations and Agway representatives (independent retail dealers and independent cooperatives) and to other firms totaling \$176,305,008 in fiscal 1964, and \$174,406,297 in 1965. (When wholesale value of supplies transferred to Agway-owned stores and petroleum plants is included, Agway's total wholesale supply volume was approximately \$260 million in 1964 and \$262,533,847 in 1965.)

Includes sales at retail through Agway-owned stores and facilities of Agway Petroleum Corporation totaling \$110,218,086 in 1964, and \$125,169,318 in 1965. Includes combined sales of GLF and Eastern States Farmers Exchange from July 1, 1963, to June 30, 1964, so that data would be on a comparable basis.

²Includes sales of subsidiaries from date acquired, except Texas City Refining, Inc., whose fiscal year ended on March 31, 1965; and Fertilizer Manufacturing Cooperative, Inc., and Select Seeds, Inc., whose volume since acquisition of control on June 1, 1965, was not material. Also includes sales of Pennsylvania Farm Bureau Cooperative Association and certain affiliated local associations from June 1 to June 30, 1965.

³Includes the following items and approximate percentages of each in 1965: Tires, batteries, and auto supplies, 11; refrigerator equipment, 6; lawn and garden, 9; steel and metal products, 8; building materials, paint, and roofing, 25; rope and twine, 7; hardware, tools, and miscellaneous, 4; farm equipment (exclusive of machinery), 15; containers and package materials, 3; and other items, 12.

commodities that was sold in fiscal 1964 and 1965 are shown in table 2.

Table 2.--Quantities of major supplies sold at wholesale by Agway Inc., and its consolidated subsidiaries in fiscal 1964 and 1965

Commodity	Unit	1964	1965
All feeds	Ton	2,190,887	2,145,533
Fertilizer	do.	399,147	432,319
Lime	do.	674,578	652,036
Refined fuel	Gal.	177,747,068	201,061,435

Sales of supplies of Agway Inc., excluding subsidiaries, totaled \$284,641,480 in fiscal 1964, and \$282,012,238 in 1965. Most of the difference between these Agway internal sales and its consolidated sales consisted of petroleum, seed, and fertilizer sold by Agway's majority-owned subsidiaries to other cooperatives.

Retail supply sales of Agway's affiliated store corporations were \$118,570,608 in fiscal 1964, and \$119,088,436 in 1965. (Agway's wholesale sales to these unconsolidated retail affiliates totaled \$97,431,328 in 1964, and \$96,476,429 in 1965.)

Agway also provides a cooperative marketing service for several farm products (table 3). Marketing is conducted through local Agway store corporations and Agway-owned stores and through central marketing facilities listed later in this section.

Table 3.--Value of farm products sold by two Agway marketing corporations and Agway's marketing subsidiary, fiscal years ended June 30, 1964 and 1965

Commodities ¹	1964	1965
Eggs	\$18,927,014	\$22,445,152
Poultry	0	3,018,932
Fruits and vegetables:		
Processed and canned	20,895,014	23,057,347
Fresh (including potatoes)	1,193,602	8,920,908
Grain	3,700,057	4,604,060
Beans	3,434,910	2,439,953
Tobacco	0	140,825
Total	² 48,150,597	64,627,177

¹Agway Inc., marketing sales are by: Egg Products Division, Fruit and Produce Division, Bean Department, Tobacco Department, Grain Marketing Department. Agway Inc. and subsidiaries include the above, plus sales of Curtis-Burns, Inc., and North Country Poultry, Inc. Sales do not include those of Agway local store corporations.

²Revised.

The value of farm products marketed by Agway's 37 store corporations totaled \$6,797, 259 in fiscal 1964, and \$4,997,303 in 1965.

Net margins of Agway, Inc. in fiscal 1965 were about 6.7 million with subsidiaries included they exceeded \$7.9 million (table 4).

Table 4.--Distribution of net margins of Agway Inc. and of Agway and its consolidated subsidiaries for fiscal years ended June 30, 1964 and 1965

Distribution of net margins	Agway Inc.		Agway Inc. and subsidiaries	
	1964	1965	1964	1965
Federal income taxes	\$3,092,000	\$1,501,000	\$3,266,000	\$1,948,000
Cash dividends on capital stock	1,426,878	675,019	1,426,878	675,019
Patronage refunds in cash	1,472,090	3,000,000	1,472,090	3,161,306
Additions to retained earnings (capital reserves)	1,856,894	1,559,156	2,220,423	2,161,278
Total	7,847,862	6,735,175	8,385,391	7,945,603

¹Includes combined operations of GLF and Eastern States, so that data would be on a comparable basis.

Net margins of the Agway store corporations totaled \$3,002,884 in fiscal 1964, and \$3,824,593 in 1965. Of these total net margins before income taxes, approximately 71 percent in fiscal 1964 and 68 percent in 1965 were derived from supply operations.

Total net margins of GLF and subsidiaries, Eastern States, and Agway since organization of each through June 30, 1965, have been \$268,324,638. Of this

amount, they paid \$34,168,837 in cash dividends on capital stock, \$105,411,214 as cash patronage refunds, \$4,831,227 in revolving fund certificates, \$39,957,536 in Federal income taxes, and added \$83,955,824 to the "retained earnings" and capital surplus accounts.

The financial position, net worth items, and principal facilities of Agway Inc., and its subsidiaries are shown in tables 5-7.

Table 5.--Condensed balance sheets of Agway Inc., and of Agway Inc., and its consolidated subsidiaries, June 30, 1964 and 1965

Item	Agway Inc.		Agway Inc. and subsidiaries	
	¹ 1964	² 1965	1964	² 1965
Assets:				
Current	\$71,193,637	\$85,714,823	\$79,029,048	\$109,130,120
Fixed (net)	46,043,034	51,536,245	49,094,207	73,115,242
Other (investments)	14,870,263	19,463,384	11,701,371	9,594,675
Total	132,106,934	156,714,452	139,824,626	191,840,037
Liabilities and patrons' equities:				
Current liabilities	29,774,435	24,629,237	34,390,508	39,396,128
Debentures	16,872,560	19,483,295	16,872,560	19,483,295
Other liabilities	8,999,525	28,272,319	12,185,872	39,929,678
Minority interests in consolidated subsidiaries	--	--	579,935	4,994,466
Capital stock, retained earnings, and surplus	76,460,414	84,329,601	75,795,751	88,036,470
Total	132,106,934	156,714,452	139,824,626	191,840,037

¹ Includes combined assets and liabilities of GLF and Eastern States Farmers' Exchange so that data would be on a comparable basis.

² Revised after annual report and prospectus were issued.

Table 6.--Net worth or capital of Agway Inc., and of Agway Inc., and its subsidiaries, June 30, 1965

Item	Agway Inc.	Agway Inc. and subsidiaries
Capital stock:		
Preferred	\$14,504,200	\$14,504,200
Common	2,107,930	2,107,930
Capital surplus	--	1,066,656
Retained earnings	67,717,467	70,357,684
Total	84,329,597	88,036,470

Table 7.--Value of principal facilities (buildings and equipment, by plants) owned by Agway Inc. and its subsidiaries, June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
General:			
Land.....	--	\$247,893	\$188,271
Office buildings and equipment.....	8	5,276,411	2,588,759
Total.....	--	5,524,304	2,777,030
Wholesaling and manufacturing:			
Feed mills.....	4	37,744,608	20,869,337
Fertilizer plants.....	17	12,243,397	6,229,111
Fertilizer plant ¹	1	905,304	202,955
Seed cleaning plants.....	8	2,408,915	1,357,847
Seed plant ¹	1	337,983	103,875
Farm supply warehouses, plants, and supply centers ..	19	2,854,742	1,636,450
Petroleum refinery ¹	1	34,140,198	15,495,983
Petroleum storage terminals.....	9	3,605,821	1,675,485
Total.....	--	94,240,968	47,571,043
Retailing and local marketing (exclusive of local store corporations):			
Service stores.....	204	23,855,864	13,711,294
Home and garden stores.....	5	216,679	133,631
Bulk petroleum plants.....	104	11,308,098	5,831,851
Total.....	--	35,380,641	19,676,776
Regional marketing of farm products:			
Egg processing plants.....	12	2,317,721	1,448,776
Fruit and produce packing plants.....	5	266,750	253,456
Fruit and vegetable processing plants ¹	6	13,638	5,455
Bean packing plants.....	5	957,688	477,130
Tobacco warehouses (leased).....	14	1,796	1,370
Pet food plants.....	2	811,967	736,152
Flour mill.....	1	308,304	142,987
Poultry plants.....	2	569,951	480,251
Total.....	--	5,247,815	3,545,577
Total fixed assets ²	--	140,393,728	³ 73,570,426

¹Facilities of subsidiaries.

²Includes land and improvements costing \$7,342,851; tankers costing \$7,695,112; automotive equipment costing \$10,306,558; and construction underway totaling \$1,093,061.

³This total was later adjusted to \$73,115,242 (see p. 9).

Agway Inc. on June 30, 1965, also had \$3,080,954 invested in federations of regional cooperatives and allied companies which operated various manufacturing and wholesaling facilities. The principal ones were P & C Food Markets, Inc., Syracuse, N.Y.; United Cooperatives, Inc., Alliance, Ohio; Central Farmers Fertilizer Company, Chicago, Ill.; and Empire Livestock Marketing Cooperative, Inc., Ithaca, N.Y.

On June 30, 1965, Agway and its subsidiaries had 6,184 employees. Of these, 1,022 were in general administrative and office activities, 1,552 in supply manufacturing, 716 in supply wholesaling (including warehousing and transportation), 1,847 in supply retailing (by branch stores and petroleum plants), and 1,047 in processing and marketing farm products. The figures for the operating groups performing retailing, wholesaling, and manufacturing services include administrative, accounting, and clerical employees directly applicable to them. These figures do not include retail employees of Agway store cooperatives, independent cooperatives, and independent representatives who may spend most of their time in distributing Agway supplies.

Consumers Cooperative Association

(Name changed to Farmland Industries, Inc. on Sept. 1, 1966)

Consumers Cooperative Association, known as CCA, with headquarters in Kansas City, Mo., was organized in 1929. At the end of its 1965 fiscal year (August 31), CCA was serving 1,788 local and regional member associations. The locals are located throughout Iowa, Kansas, Missouri, Nebraska, Colorado, Oklahoma, South Dakota, and Wyoming, and in parts of Minnesota, North Dakota, Arkansas, and Texas.

CCA has management or supervision agreements with 70 local member cooperatives.

Membership in CCA is limited to cooperatives and is obtained by acquiring one \$25 share of common stock and by agreeing to the provisions of the bylaws. Each member association has only one vote.

CCA has 22 directors elected for staggered terms of 3 years. Twenty-one of the directors are elected by districts, and one is a director-at-large.

CCA's operations consist of purchasing, processing, and manufacturing supplies for distribution to retail farmer cooperatives. CCA engages directly in manufacturing fertilizer, feed, grease, batteries, and paint; and fabricating steel products. Four supply subsidiaries produce crude oil, refined fuels, lube oils, fertilizer, and soybean meal. Their operations were consolidated with CCA in fiscal 1964 and 1965.

These subsidiaries are as follows: (1) CRA, Inc.--formerly Cooperative Refinery Association, Kansas City, Mo., (wholly-owned); (2) Cooperative Farm Chemicals Association (CFCA), Lawrence, Kans.; (3) Farmers Chemical Company (FCC), Joplin, Mo.; and (4) Cooperative Processing Association (CPA), Van Buren, Ark. The last three are majority-owned.

As a service for its affiliated locals, CCA operates two wholly owned subsidiaries: Cooperative Finance Association, Inc., to supplement the available sources of credit of CCA's members; and Consumers Insurance Agency, Inc., to provide insurance services for members.

CCA provides a swine marketing service for farmers through a minority-owned but controlled subsidiary, Farmbest, Inc., which operates two hog slaughtering plants in Iowa. CCA also has a controlled subsidiary--National Farm Lines--which trucks a substantial part of Farmbest's products. These service and minority-owned subsidiaries were not included in the consolidated operating and financial statements of CCA.

CCA had substantial increases in sales of supplies in fiscal 1965, especially in fertilizers (table 8).

Sales in fiscal 1964, included 514,885 tons of feed, 858,353 tons of fertilizer, and 857,308,000 gallons of refined fuels and light petroleum gases. Sales in 1965 included 586,605 tons of feed, 1,005,863 tons of fertilizer, and 899,893,000 gallons of refined fuels and light petroleum gases.

Table 8.--Wholesale value of supplies sold by CCA and consolidated subsidiaries, fiscal years ended August 31, 1964 and 1965

Commodities	1964	1965
Petroleum products and byproducts	\$104,832,664	\$113,079,646
Fertilizer	63,898,585	75,033,793
Feed	39,495,125	42,908,453
Tires, tubes, and auto accessories	12,325,496	13,477,181
Agricultural chemicals	5,454,146	7,785,156
Lumber, paint, and building supplies	10,559,672	10,377,168
Farm equipment (other than machinery)	5,560,925	5,932,728
Plant equipment--petroleum, fertilizer and other	3,191,481	3,692,321
Appliances and housewares	1,028,817	1,135,770
Miscellaneous supplies	3,293,785	4,537,758
Total	249,640,696	277,959,974

Approximately 61 percent of the total commodities supplied patrons in 1965 were produced by CCA and its subsidiary plants and 10 percent by other cooperative plants. CCA and its subsidiaries produced 79 percent of the petroleum products, 74 percent of the fertilizer, 45 percent of the feed, and 14 percent of other products supplied patrons in 1965.

CCA recently has become interested in helping farmers market some of their products. It established swine testing stations and helped organize Farmbest, Inc., whose sales of pork products totaled \$34,350,433 in fiscal 1964 and \$53,811,922 in 1965.

CCA also helped to organize and finance the Producers Packing Company, Garden City,

Kans. Its cooperative beef slaughtering plant began operations in November 1965.

Net margins of CCA and its consolidated subsidiaries exceeded \$21 million in fiscal 1965--about one-fourth more than in 1964 (table 9). CCA's present policy is to pay approximately 50 percent of the current year's refund in cash and to redeem 2 percent third preferred stock issued in prior years in payment of refunds when funds are available for that purpose. In fiscal 1965 a cash payment of \$1,233,500 was made to redeem the 1957 third preferred stock still outstanding. No such payment was made in fiscal 1964.

Net margins of CCA and its consolidated subsidiaries from its organization in 1929 through August 31, 1965, have totaled \$159,821,000. These margins have been distributed as follows: \$15,845,000 for income taxes; \$68,006,000 for cash payment of patronage refunds and dividends on capital stock; \$57,920,000 for patrons' investment in capital stock and allocated reserves; and \$18,050,000 to general surplus.

A brief financial statement, net worth items, and principal facilities of CCA and its consolidated subsidiaries are shown in tables 10-12.

Table 9.--Distribution of combined net margins of CCA and its consolidated subsidiaries, fiscal 1964 and 1965

Distribution of net margins	1964	1965
Federal income taxes	\$1,912,600	\$1,779,000
Cash dividends on stock	1,706,852	1,790,405
Patronage refunds paid in:		
Cash or equivalent	6,162,298	8,177,190
Common stock	5,868,696	7,858,821
Nonmember capital equities	147,823	174,503
Additions made to surplus	983,404	1,268,912
Total ¹	16,781,673	21,048,831

¹Approximately all of these net savings each year were derived from supply operations.

Table 10.--Condensed balance sheet of CCA and its consolidated subsidiaries, fiscal years ended August 31, 1964 and 1965

Item	1964	1965
Assets:		
Current.....	\$48,559,655	\$53,006,453
Fixed (net).....	101,218,894	116,607,661
Other	27,809,107	31,015,151
Total.....	177,587,656	200,629,265
Liabilities and net worth:		
Current liabilities.....	36,422,930	44,445,852
Other liabilities:		
Other items.....	8,949,727	9,236,863
Certificates of indebtedness ¹	36,583,900	41,714,000
Minority interests in subsidiaries.....	2,944,923	3,890,279
Capital shares and equities.....	92,686,176	101,342,271
Total.....	177,587,656	200,629,265

¹ These vary from 4 1/2 percent, 10-year certificates to 5 1/2 percent, 25-year certificates.

Table 11.--Combined net worth (capital shares and equities) of CCA and consolidated subsidiaries, August 31, 1965

Item	Amount
Preferred stock	\$44,636,700
Common stock	27,467,725
Capital stock partly paid	8,840
Nonmember capital equities	515,232
Patrons' equity reserves	3,421,136
Patronage refunds for reinvestment (1965)	8,035,084
Surplus--earned	17,188,318
Surplus--donated	69,236
Total	101,342,271

CCA and its consolidated subsidiaries also had invested \$11,853,516 in other federations of regional cooperatives that owned various manufacturing and wholesale facilities at the end of fiscal 1965. These investments are included in "other assets" in the consolidated balance sheet.

CCA and its consolidated subsidiaries had 2,950 employees on August 31, 1965. These consisted of 650 employees in general administrative activities; 725 in oil production and refining; 685 in manufacturing plants (other than refining); and 890 in wholesale distribution, including those in transportation, terminals, and warehouses.

Table 12.--Value of principal facilities (land, buildings, and equipment, by plants) of CCA and its consolidated subsidiaries, August 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Refining and oil production:			
Refineries and gas plants ¹	4	\$ 31,454,692	\$13,646,692
Crude oil facilities	--	18,102,018	9,636,466
Crude oil reserves (leaseholds)	--	26,652,569	11,703,840
Pipelines (miles)	875	5,530,609	2,536,062
Total	--	81,739,888	37,523,060
Fertilizer production:			
Nitrogen fertilizer plants ²	3	62,602,705	43,102,337
Ammonium phosphate plant	2	16,657,605	14,095,025
Mixing and dry blending plants	30	3,595,537	1,868,516
Total	11	82,855,847	59,065,878
Feed production	11	8,401,911	6,649,076
Other manufacturing facilities ³	5	3,706,269	3,116,925
Distribution and transportation:			
Warehouses (10) and terminals (10)	20	5,014,734	4,383,724
Highway transports	137	3,673,103	2,026,648
Retail facilities (leased to locals)	18	1,043,989	847,772
Total		9,731,826	7,258,144
Research:			
Laboratory	1	782,537	685,790
Demonstration farm	1	466,991	372,919
Swine testing stations ²	4	193,507	167,453
Total		1,443,035	1,226,162
Headquarters and other	--	1,627,178	857,989
Educational building	1	1,051,713	910,427
Total fixed assets	--	190,557,667	116,607,661

¹ Includes 3 crude oil refineries and 1 natural gas plant.

² Includes 1 plant under construction.

³ Includes battery, paint, grease, steel fabricating, and printing plants.

FS Services, Inc.

FS Services, Inc., with headquarters in Bloomington, Ill., was organized in 1927 as the Illinois Farm Supply Company, Chicago, Ill. On August 31, 1962, it merged with the Farm Bureau Service Company of Iowa, Des Moines, to become FS Services, Inc. On August 1, 1965, Producers Seed Company, Piper City, Ill., merged with FS Services, Inc. Effective September 1, 1965, the Wisconsin Farmco Service Cooperative, Madison, merged with FS Services, Inc.

At the end of its 1965 fiscal year (August 31), FS Services was providing manufacturing and wholesale farm supply services for 89 Class "A" member service companies in Illinois and 43 service companies in Iowa. Most of these associations, with 300 branch stations or outlets, operated over countywide areas and served about 195,000 members--97 percent of them farmers.

Class "A" members are the county service companies handling petroleum, feed, plant food, and general farm supplies. Each is required to own one share of FS common stock (no par value). All have membership agreements with FS Services, Inc. These member service companies own the Class A and C preferred stock which constitutes about one-half of all outstanding preferred stock.

FS Services, Inc., has prior preferred stock (nonvoting) outstanding in the amount of \$2,478,755. The balance of the preferred stock is used for financing, and each share of this preferred stock carries voting rights. A large amount of this stock is owned by the local Class "A" member cooperatives.

FS Services, Inc., and the county cooperative system operate on a federated basis. Farm Bureau members own the local companies. These companies in turn own FS Services, Inc., and elect 13 of its directors, by districts, for 2-year terms. In addition, one director of the Illinois Agricultural Association (the State Farm Bureau organization), one director of the Iowa Farm Bureau Federation, and one director from the Wisconsin Farm Bureau Federation are elected to the board for 2-year terms.

The Illinois Agricultural Association holds 61 percent, the Iowa Farm Bureau Federation holds 31 percent, and the Wisconsin Farm Bureau Federation holds 8 percent of the voting shares of Class B preferred stock in FS Services, Inc. This stock constitutes about one-half of all outstanding preferred stock.

Only county Farm Bureau members are stockholders in the local member service companies and share in their patronage refunds. FS Services holds some voting stock in most of its member service companies in Illinois, but none in those in Iowa and Wisconsin.

FS Services, Inc., has one wholly-owned subsidiary, the Imperial Chemical Company, which operates a manufacturing plant.

FS Services distributed over \$120 million worth of supplies at wholesale and realized almost \$9.7 million of net margins in fiscal 1965 (tables 13 and 14).

Table 13.--Wholesale value of commodities sold by FS Services, Inc., and its subsidiary, fiscal years ended August 31, 1964 and 1965

Commodities	1964	1965
Feed	\$ 26,448,277	\$25,008,823
Seed	496,650	551,706
Fertilizer	31,096,527	35,185,258
Petroleum products	40,918,670	43,097,080
Tires, tubes, and accessories	1,798,544	1,614,946
Steel products	1,777,919	1,652,792
Livestock equipment	2,361,375	2,216,396
Paint and plant equipment	4,916,469	4,685,555
Farm chemicals	5,559,455	7,474,330
Animal health supplies	529,198	522,633
Total	115,903,084	122,009,519

Table 14.--Distribution of net margins by FS Services and its subsidiary in fiscal 1964 and 1965

Distribution of net margins	1964	1965
Federal income taxes	\$465,850	\$ 845,500
Cash dividends on capital stock	649,730	667,563
Patronage refunds paid in:		
Cash	5,869,259	6,818,224
Capital stock	800,000	900,000
Additions to retained earnings	222,038	466,479
Total	8,006,877	9,697,766

FS Services sold its livestock marketing facilities to Interstate Producers Livestock Association, Chicago, Ill., in late 1964.

The association retired \$226,400 of preferred stock in fiscal 1964, and \$269,400 in 1965. It does not operate on a revolving capital basis.

Total net margins of FS Services, Inc., and its predecessors (Illinois Farm Supply Company and Farm Bureau Service Company of Iowa) and their subsidiaries since organizing in 1927, have been \$109,268,442. Of this amount, the organizations have paid \$13,495,872 as Federal income taxes; \$7,140,697 as dividends on capital stock; \$64,815,583 as cash patronage refunds; \$16,484,979 as patronage refunds in capital stock; and retained the remaining \$7,331,311 as surplus. They have never operated on a revolving capital basis.

The financial condition, net worth items, and principal facilities of FS Services, Inc., and its subsidiary are shown in tables 15-17.

FS Services, Inc., also had \$15,557,919 invested in federations of regional cooperatives and allied companies which operated various refining, producing, manufacturing,

Table 15.--Condensed balance sheet of FS Services and its subsidiary, August 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$21,770,321	\$25,596,313
Fixed (net)	7,658,060	8,124,312
Other	14,686,097	15,904,083
Total	44,114,478	49,624,708
Liabilities and net worth:		
Current liabilities	10,115,697	14,016,598
Other liabilities ¹	6,227,850	6,145,000
Shareholders' equity	27,770,931	29,463,110
Total	44,114,478	49,624,708

¹ Consists of subordinated debentures, 4 3/4 and 5 percent, with varying amounts due in 1974, 1984, and 1989.

Table 16.--Net worth of FS Services, August 31, 1965

Item	Amount
Preferred stock:	
Outstanding	\$21,126,455
To be issued	1,134,300
Retained earnings:	
Allocated to members (letters of advice)	1,100,000
Unallocated surplus	6,102,355
Total	29,463,110

and wholesaling facilities at the end of fiscal 1965.

This association and its subsidiary had 935 employees on August 31, 1965. Of these, 450 were in general and administrative activities, 235 in supply manufacturing and processing, and 250 in wholesale distribution, including transportation and warehousing.

Table 17.--Value of principal facilities (buildings and equipment, by plants) of FS Services, Inc., and its subsidiary, August 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
FS Services, Inc.			
Headquarters--furniture and equipment.	--	\$ 988,450	\$ 617,156
Warehouses	2	1,443,115	205,539
Feed mills	3	5,187,850	3,123,825
Marine and pipeline terminal bulk petroleum plants. .	3	1,423,114	596,727
LP gas bulk plants.	--	108,567	104,712
Transport trucks.	112	3,400,489	1,107,212
Airplanes.	--	114,773	99,981
Barges (3) and towboats (1)	--	850,577	208,716
Crude oil properties	--	112,900	109,635
Plant food plants	3	3,795,524	850,659
Seed plants.	2	603,406	598,848
Research farm	1	354,106	259,252
Construction in progress	--	128,900	128,900
Other facilities	--	15,780	11,118
Total	--	18,527,551	8,022,280
Imperial Chemical Company (subsidiary):			
Buildings and equipment.	--	139,568	102,032
Grand total	--	18,667,119	8,124,312

Farmers Union Central Exchange, Inc.

Farmers Union Central Exchange, Inc., with headquarters at S. St. Paul, Minn., was organized in 1931. At the end of its operating year December 31, 1965, it was serving 488 members associations with approximately 300,000 members--88 percent of them farmers, and 662 nonmember associations with

about 150,000 members--65 percent of them farmers. The Central Exchange serves cooperatives in Wisconsin, Minnesota, North Dakota, South Dakota, Montana, and parts of Wyoming, Idaho, Washington, and Oregon.

A local farmers' cooperative may become a member of the Central Exchange by acquiring one \$25 share of common stock and agreeing to comply with its bylaws. Each member

cooperative has voting power equal to the number of its member-stockholders.

The Central Exchange has 11 directors, elected by districts for overlapping terms of 3 years.

The Central Exchange is independent of the various State Farmers Union membership organizations in the area it serves. It does, however, annually prorate as service expenses 5 percent of its cash net savings, before any distribution to patrons, among those State organizations to promote and organize cooperatives. The same relationship exists among many local cooperatives affiliated with the Central Exchange and the local and county Farmers Union in their areas.

The Cenex Pipeline Company, a wholly owned subsidiary formed in 1962, owns a products pipeline from Glendive, Mont., to Minot, N.Dak., and leases a pipeline from Laurel to Glendive, Mont.

The Central Exchange also has a half interest in the Farmers Union Publishing Company, St. Paul, Minn., Senex Service Co., and Cenex Inc., S. St. Paul, Minn., and minority interests in the Green Bay Terminal Corporation, Green Bay, Wis., and Farmers Union Cooperative Credit Association, S. St. Paul, Minn.

The Exchange's wholesale supply business increased substantially in 1965--reaching almost \$120 million (table 18). Petroleum products accounted for slightly over half the total.

The ways in which the Central Exchange derived net margins and the manner of their distribution is described in tables 19- 20.

In addition to paying patronage dividends in capital stock, the Exchange paid quarterly price adjustments in cash on the purchases of certain light petroleum products by local cooperatives. These price adjustments totaled \$1,615,168 in 1964 and \$1,716,525 in 1965.

The Central Exchange also made cash retirements of capital stock each of the last 2 years. Stock amounting to \$4,359,777 originally issued in payment of patronage dividends was retired in 1964. The amount retired in 1965 was \$3,178,458. The amount of stock retired through 1965 has been \$44,214,636.

Table 18.--Wholesale value of commodities sold by Farmers Union Central Exchange, fiscal year ended December 31, 1964 and 1965

Commodities	1964	1965
Feed	\$6,739,477	\$7,148,177
Seed	776,429	1,268,315
Fertilizer	15,632,547	17,982,234
Petroleum products	54,937,637	62,269,783
Tires, tubes, and accessories	11,232,579	12,194,767
LP gas equipment	2,019,224	2,650,523
Oil equipment (station and farm)	1,259,999	1,495,898
Farm machinery and parts	1,428,780	2,275,415
Milking machines	150,229	142,124
Paint	760,498	680,678
Hardware	4,525,475	4,689,192
Electrical equipment and appliances	987,358	1,464,839
Twine	1,432,290	1,767,633
Agricultural chemicals	2,831,792	3,166,340
Miscellaneous ¹	286,918	294,125
Total	105,001,232	119,490,043

¹Includes such items as stationery and office equipment.

Table 19.--Sources of net margins of Central Exchange, 1964 and 1965

Source	1964	1965
Manufacturing and wholesaling operations	\$6,263,889	\$6,855,858
Dividends on stock, patronage dividends, and allocated reserves from other cooperatives	1,209,382	1,847,150
Total	7,473,271	8,703,008

The Exchange now operates on a "percentage of capital stock outstanding" plan rather than the usual revolving capital plan in order to provide cash funds at earlier dates to the younger member-cooperatives. Under this

Table 20.--Distribution of combined net margins of Central Exchange in 1964 and 1965

Distribution of net margins	1964	1965
Patronage dividends in cash	\$1,494,654	\$1,740,602
Patronage dividends in capital stock	5,231,290	6,092,105
Additions to capital reserves and other reserves	747,327	870,301
Total	7,473,271	8,703,008

modified revolving plan, each year the Exchange retires a specified percentage of the previous (most current) year's revolving stock plus a smaller percentage of all remaining revolving fund stock. The percentages retired are determined by the board of directors. In 1966, for example, it retired 20 percent of the 1965 stock plus 6 percent of the total remaining revolving fund stock.

Total net savings of the Central Exchange available to member and patron companies since its organization in 1931, have been \$151,987,778. Of this amount, it paid \$716,795 as dividends on capital stock, \$105,612,925 as patronage dividends in capital stock, \$5,108,323 in cash patronage dividends, \$26,992,328 as price adjustments, and \$13,559,407 was added to capital reserves. The total amount of cash returned to local cooperatives as of December 31, 1965, was \$76,312,155.

A brief financial statement of the Central Exchange at the end of 1964 and 1965 is in table 21; net worth and facilities are in tables 22-23.

All of the common and preferred capital stock represents reinvested patronage dividends. No stock or other securities have been sold to member associations or others.

The Central Exchange also had \$17,757,947 invested at the end of 1965, in federations of regional cooperatives which operated manu-

facturing and wholesaling facilities. The principal investments were in National Cooperative Refinery Association, McPherson, Kans.; Central Farmers Fertilizer Company, Chicago, Ill.; National Cooperatives, Inc.,

Table 21.--Condensed balance sheet of Central Exchange, December 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$39,892,546	\$40,081,252
Fixed (net)	24,196,580	26,290,229
Other assets (crude oil properties)	2,608,733	2,534,061
Investments	18,267,603	18,735,333
Total	84,965,462	87,640,875
Liabilities and net worth:		
Current liabilities	13,190,698	13,230,210
Noncurrent liabilities (all notes payable)	937,480	856,690
Net worth (capital and reserves)	70,837,284	73,553,975
Total	84,965,462	87,640,875

Table 22.--Net worth of Central Exchange, December 31, 1965

Item	Amount
Common stock	\$12,475
Preferred stock	53,874,975
Capital stock credits	6,107,118
Capital reserves--allocated	13,559,407
Total	73,553,975

Table 23.--Value of facilities (buildings and equipment, by plants) owned by the Central Exchange and its subsidiaries, December 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Land and improvements.....	--	\$655,233	\$655,233
Bulk fertilizer blending plants.....	30	1,792,366	1,251,542
Wholesale farm supply warehouses.....	8	1,323,308	970,182
Oil blending plant, main office, and warehouse.....	1	6,356,428	4,930,112
Autos and trucks.....	--	1,282,261	797,175
Furniture and fixtures.....	--	1,747,755	793,900
Refinery property.....	1	19,573,826	9,790,418
Crude oil properties.....	--	9,787,766	¹ 4,180,570
Bottled gas plants and equipment.....	24	938,574	501,708
Pipeline terminal.....	1	488,240	302,165
Seed plants.....	1	244,971	238,700
Feed plant.....	1	41,846	41,846
Petroleum pipeline.....	1	5,638,023	4,370,739
Total.....	--	49,870,597	28,824,290

¹ Includes crude oil properties of \$2,534,061 that were included in "other assets." Net fixed assets totaled \$26,290,229.

Albert Lea, Minn.; and Northwest Cooperative Mills, Inc., St. Paul, Minn.

On December 31, 1965, the Central Exchange and its subsidiaries had 1,050 employees. Of these, 350 were engaged in general and administrative activities, 360 in manufacturing and processing operations, and 340 in wholesale distribution, including warehousing and transportation.

Southern States Cooperative, Inc.

Southern States Cooperative, Inc. (SSC), Richmond, Va., was organized on July 21, 1923, as the Virginia Seed Service. The present name was adopted in 1933.

At the end of its 1965 fiscal year, SSC was furnishing supplies through local cooperatives, service agencies, and retail branches to about 234,678 members in Virginia, West Virginia, Kentucky, Maryland, and Delaware. Approximately 99 percent of their members are farmers. These outlets also serve a number of nonfarmer patrons.

SSC is both a centralized and a federated cooperative with both cooperatives and farmers directly holding membership in it, but in practice it operates on a federated basis. Either a farmer-patron or an agricultural cooperative becomes a member by acquiring one or more shares of \$1 par value common stock, which may be issued in payment of patronage refunds, and by agreeing to provisions of the bylaws. Each member has only one vote.

SSC had 83,679 direct farmer-members on June 30, 1965. They were located in areas served by independent dealer-agents and retail branches of SSC. Also SSC had 183 local and regional cooperatives which were members on this date.

Members served by each dealer-agent and SSC retail branch elect a six-man advisory board to vote for and to represent the group in all matters at the annual meeting of SSC, as directors of local member cooperatives do.

SSC has 15 directors, of which 10 are elected by districts for staggered terms of 3 years. The other five are public directors

appointed for 3-year terms on a staggered basis, one each by the director of Extension Service of the land-grant college in each of the five States in which SSC operates.

On June 30, 1965, SSC was providing supplies and related services to its patrons through the following types of retail outlets:

Retail outlets	Number
Local affiliated cooperatives:	
Farm supply cooperatives with management contracts	122
Farm supply cooperatives without management contracts	47
Petroleum cooperatives with management contracts	20
Egg marketing services with management contracts	3
Service agencies (independently owned)	436
Farm supply retail SSC branches	25
Petroleum retail SSC branches	13
Total	666

Local affiliated cooperatives with management contracts are separately incorporated associations. Their boards of directors employ SSC to perform certain management, accounting, auditing, and financial services on a fee basis. Through these farm supply and petroleum cooperatives SSC distributes approximately 50 percent of its wholesale volume. Those associations without management contracts are independent cooperatives which use the association as a wholesale source of supplies.

Service agencies are retail farm supply dealers who have been awarded the SSC franchise upon recommendation of the local membership. Under the terms of this franchise, dealers handle the supplies under conditions agreed upon. Approximately 50 percent of

SSC's wholesale volume is distributed through these agencies.

Feed and fertilizer manufacturing operations are conducted through several SSC subsidiary cooperatives.¹ Some of these are wholly owned and some majority owned. In the latter, several other wholesale cooperatives own an interest and use them as a source of their feed and fertilizer requirements.

SSC handles a diversified line of supplies with feed the largest volume item. Sales were over \$91 million in fiscal 1965 (table 24).

¹ These include Cooperative Mills, Inc., Baltimore, Md.; Cooperative Fertilizer Services, Inc., Baltimore, Md.; Cooperative Fertilizer Service, Inc., Norfolk, Va.; and Cooperative Mills, Inc., Cincinnati, Ohio.

Table 24.--Wholesale value of supplies distributed, including those manufactured for other regional cooperatives, fiscal years ended June 30, 1964, and 1965

Commodities	1964	1965
Feed	\$42,092,279	\$37,036,107
Fertilizer	18,261,993	19,284,691
Seed	7,674,518	6,957,413
Petroleum products and equipment	10,539,446	10,139,507
Tires, batteries, and auto accessories	2,850,405	2,885,764
Farm equipment and tools	3,018,756	3,051,040
Hardware and steel products	6,536,433	6,258,099
Paint and asphalt	1,096,374	1,043,544
Insecticides, sprays, and chemicals	3,116,431	3,210,253
Electrical equipment and appliances	1,352,787	1,626,153
Miscellaneous	62,122	69,056
Total ¹	96,601,544	91,561,627

¹ Hatchery sales are reported with eggs and poultry marketed on page 22.

These volumes included supplies (mainly feed and fertilizer) manufactured for other regional cooperatives in the amount of \$6,147,130 in fiscal 1964 and \$5,333,521 in fiscal 1965.

Total wholesale volume in fiscal 1964, included 505,910 tons of feed, 386,807 tons of fertilizer, and 86,568,739 gallons of refined fuels. Such volumes for fiscal 1965, were 465,175 tons of feed, 402,441 tons of fertilizer, and 86,962,060 gallons of refined fuels.

In addition, SSC had retail sales of supplies and petroleum through its own retail branches totaling \$7,391,868 in fiscal 1964, and \$7,244,312 in fiscal 1965. These branches also marketed \$616,391 of farm products in 1964 and \$164,980 worth in 1965.²

Retail sales of supplies by farm supply and petroleum cooperatives managed by SSC amounted to \$68,241,123 in fiscal 1964, and to \$66,077,906 in fiscal 1965.

SSC directly provides marketing services for eggs and wool produced by members (table 25). On June 30, 1965, it operated 3 egg processing plants and one hatchery. (It closed its poultry processing plant at Troutville, Va., in 1964).

Grain marketing services are provided by a separate affiliate--Southern States Grain Marketing Cooperative, Inc.--which is under management services of SSC. It has five

² These totals included wholesale purchases from SSC subsidiaries which were eliminated in consolidated annual reports.

Table 25.--Value of farm products marketed through SSC in fiscal 1964 and 1965

Commodities	1964	1965
Eggs	\$4,065,548	\$3,190,090
Poultry	3,245,308	--
Chicks	416,259	482,037
Wool	228,261	223,670
Total	7,955,376	3,895,797

terminal grain elevator facilities. Sales of grain totaled \$15,397,247 in fiscal 1964, and \$15,288,403 in fiscal 1965.

Total net margins available to patrons of SSC and its consolidated subsidiaries and their distribution in fiscal 1964 and 1965 are shown in table 26. Approximately all of the net margins in both years were derived from supply operations. Total net margins of the retail farm supply and petroleum cooperatives managed by SSC were \$2,217,590 in fiscal 1964, and \$2,258,843 in fiscal 1965.

Table 26.--Distribution of net margins of SSC and its subsidiaries, fiscal 1964 and 1965

Distribution of net margins	1964	1965
Cash dividends on capital stock	\$1,539,916	\$1,544,356
Patronage refunds in cash	341,466	583,905
Patronage refunds in stock and member equities	763,117	964,713
Additions or adjustments to capital reserves	538,695	714,233
Total	3,183,194	3,807,207

For fiscal 1964, SSC and its subsidiaries retired voting stock amounting to \$232,672, issued originally in the payment of patronage refunds. For fiscal 1965, the redemptions totaled \$236,895.³ For many years SSC's policy has been to retire upon request, at par value, the voting stock issued 10 years previously.

Also, during fiscal 1965, SSC retired \$647,000 of capital book equities which had

³ As of July 1, 1965 SSC called all common voting stock issued prior to and including 1954 amounting to \$5,439,771.

been allocated to patrons in 1955. In fiscal 1964, it did not retire any equities of this type.

Total net margins available to patrons of SSC, its subsidiaries, and the combined retail system since organizing in 1923 have been \$94,720,866. Of this amount, SSC paid \$26,376,363 as cash dividends on capital stock, \$22,731,879 as patronage refunds in cash, and \$36,198,828 in capital stock, capital book equities, and debentures. It retained the remaining \$9,413,796 for capital as general reserves. The total amount of capital stock retired under a revolving capital plan has been \$12,789,289.

The financial condition, net worth items, and principal facilities of SSC and its subsidiaries are shown in tables 27-29.

Table 27.--Condensed balance sheet of SSC and subsidiaries, June 30, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$33,864,765	\$34,143,872
Fixed (net)	18,915,527	19,441,199
Other	12,128,048	12,916,269
Total	64,908,340	66,501,340
Liabilities and net worth:		
Current liabilities	6,249,936	¹ 13,466,655
Deferred liabilities:		
Debentures	7,943,400	8,003,065
Other	10,212,196	9,375,760
Net worth or members' and patrons' equities	40,502,808	¹ 35,655,860
Total	64,908,340	66,501,340

¹ Southern States Cooperative, Inc. called, as of July 1, 1965, all common voting stock issued prior to and including 1954 amounting to \$5,439,771. This is reflected in current liabilities, common capital stock and patrons' equity at June 30, 1965.

Approximately 41 percent of the common and preferred capital stock represented retained patronage refunds and the remaining 59 percent had been sold to members and others.

Southern States Grain Marketing Cooperative, Inc., had five elevator facilities with a cost of \$642,902 and a depreciated value of \$279,218 on June 30, 1965.

Table 28.--Net worth, or member and patron equities, of SSC and its subsidiaries, June 30, 1965

Item	Amount
Preferred capital stock	\$12,659,900
Common capital stock	7,862,146
Capital stock--affiliates	450,733
Preferred and common stock--minority interest of other cooperatives	1,425,781
Capital book equities and certificates	2,752,758
Capital reserves	10,504,542
Total	35,655,860

The cost of facilities of 122 SSC affiliated service stores on June 30, 1965, totaled \$14,996,117 and their depreciated value totaled \$8,839,846. The facility costs of 20 bulk petroleum cooperatives were \$2,396,020; their depreciated value was \$1,200,810.

SSC also had \$640,500 invested in federations of regional cooperatives plus \$4,714,964 in allied companies operating various manufacturing and wholesale facilities.

On June 30, 1965, SSC and its subsidiaries had 1,958 employees. Of these, 423 were engaged in general administrative activities, 1,175 in supply manufacturing and processing, 61 in wholesale distribution, including warehousing and transportation, 242 in retail distribution, and 57 in marketing farm products. These do not include employees of SSC local service store and petroleum cooperatives.

Table 29.--Number and value of facilities (buildings and equipment, by plants) owned by SSC and its subsidiaries, June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
General:			
Land.....	--	\$37,306	\$37,306
Headquarters building	1	2,222,334	1,180,922
Total	--	2,259,640	1,218,228
Wholesaling and manufacturing:			
Feed mills.....	6	12,684,137	7,268,816
Fertilizer plants.....	8	6,404,304	3,635,943
Seed cleaning plants and wholesale farm supply warehouses.....	8	4,982,349	2,841,041
Petroleum terminals and transport equipment	3	1,498,641	708,102
Other facilities.....	--	1,688,471	762,364
Total	--	27,257,902	15,216,266
Retailing:			
SSC branches	38	3,968,141	2,513,723
Marketing:			
Egg plants	3	431,323	219,262
Total	--	33,917,006	19,167,479

Midland Cooperatives, Inc.

Midland Cooperatives, Inc., with headquarters at Minneapolis, Minn., was organized on September 8, 1926. On December 1, 1963, Midland merged with Central Cooperatives, Inc., Superior, Wis., which was formed in 1917 and had 242 local member cooperatives at the time of merging.

Midland operates throughout Minnesota and Wisconsin, in Upper Michigan, in northern Iowa, and in the eastern Dakotas. At the end of 1965, it was serving 640 local member

associations with about 425,000 members of which about 90 percent were farmers; 200 nonmember associations with about 50,000 members--75 percent of them farmers; and 4 private dealer-agents with about 150 patrons. Midland also operated 30 retail branch stores and stations.

Of these local cooperatives, 20 were under a management agreement with Midland.

Membership in Midland is limited to cooperatives and is obtained by acquiring one \$1,000 share of Class A or Class B common stock and agreeing to the provisions of the

bylaws. Class A common stockholders consist of cooperatives or like associations as defined in the Agricultural Marketing Act and incorporated under the laws of any State or the District of Columbia and approved by the Board of Directors. Each has one vote plus one additional vote for each \$25,000 or major fraction thereof of business transacted with Midland during the preceding year. Class B common stockholders consist of cooperatives, like associations of retail patrons, and non-profit organizations ineligible to hold Class A common stock. Each has only one vote.

Midland has 15 directors elected by districts for staggered terms of 3 years.

Midland has the following wholly owned and majority-owned subsidiaries:

(1) Petroleum Resources Corporation holds working interests in leased production oil properties in Oklahoma and Kansas; holds interests in leases of undeveloped oil properties in several States; operates terminals and markets Midland's excess petroleum

products; leases transportation equipment; and holds real and personal property for leasing to Midland.

(2) Midland Credit Corporation makes direct loans to patrons of member cooperatives, commercial poultry and egg producers, and feeders; and acts as a discounting agency for financing promissory notes.

(3) Trade Credit Corporation is chartered to engage in a wide range of activities, but its primary function is to help member cooperatives acquire and finance their inventories and other working capital needs.

Midland also has more than a 49 percent interest in M-C-M Corporation--a real estate holding company; and holds a minority interest in the Green Bay (Wis.) Terminal Corporation.

Midland handles a wide variety of farm and home supplies, and its volume shows a large increase in fiscal 1965 as a result of the merger (table 30). Net margins also showed marked improvement in 1965 (table 31).

Table 30.--Wholesale value of supplies distributed by Midland during fiscal years ended August 31, 1964 and December 31, 1965

Commodities	1964 ¹	1965
Feed, flour, and mill feed	\$6,534,316	\$7,963,861
Fertilizer	8,550,328	10,121,668
Seed	826,710	927,306
Petroleum products	26,031,625	29,192,102
Tires, tubes, and accessories	3,996,466	4,495,459
Steel products	1,477,387	1,312,271
Lumber, paint, and other maintenance supplies	542,916	549,226
Pesticides	837,442	1,468,230
Electrical equipment and appliances	1,039,003	1,253,911
Farm equipment, hardware, and farm tools	1,520,116	1,954,178
Oil station and plant equipment	210,878	377,458
Plumbing and heating equipment	346,558	589,243
LP gas cylinders and systems	3,371,170	4,551,727
Meats, produce, bakery items, and coffee ²	9,105,289	14,455,159
Clothing and dry goods ²	724,056	1,039,246
Printing ²	206,080	403,622
Miscellaneous supplies ³	458,677	1,429,233
Total	65,779,017	82,083,900

¹ Fiscal year changed to calendar year in 1964. Sales for the period September 1-December 31, 1964, were \$25,726,827.

² Includes sales for 9 months period only.

³ Includes sales of tornado-damaged merchandise in the amount of \$458,021 in 1965.

Table 31.--Net margins available to patrons and their distribution by Midland, fiscal years ended August 31, 1964 and December 31, 1965

Distribution of net margins	1964 ¹	1965
Cash dividends on capital stock	\$64,740	\$96,332
Patronage refunds in cash	--	276,621
Patronage refunds in Midland		
Cooperator Subscriptions	--	179,956
Patronage refunds paid in capital stock	--	926,526
Additions to surplus	27,328	250,010
Total	92,068	1,729,445

¹ Net margins for the period from September 1-December 31, 1964, were \$16,783.

Sales in 1965 included 117,265 tons of feed, 154,044 tons of fertilizer, and 205,300,000 gallons of refined fuels. Retail sales by Midland-operated outlets totaled \$3,572,337 in fiscal 1964 (ending August 31) and \$4,104,337 in 1965.

None of the Midland and CCI capital stock originally issued in payment of patronage refunds was retired under a revolving capital plan of financing in 1964 and 1965. At the end of 1965 all Midland revolving stock originally issued through 1946, and all CCI stock originally issued through 1944 has been retired.

Total net margins of Midland and CCI since their organization have been \$31,183,301. Of this amount, \$3,044,852 was paid as dividends on capital stock; \$276,621 as cash patronage refunds on a current basis; \$23,836,242 as patronage refunds in capital stock; \$2,116,464 as income taxes; and retained the remaining \$1,909,122 as surplus.

The financial position, net worth items, and principal facilities of Midland are shown in tables 32-34.

Midland also had \$9,397,675 invested in federations of regional cooperatives and allied companies which operated manufacturing and purchasing operations on December 31, 1965. Principal investments were in National Coop-

erative Refinery Association, McPherson, Kans.; National Cooperatives, Inc., Albert Lea, Minn.; Central Farmers Fertilizer Company, Chicago, Ill.; and Northwest Cooperative Mills, St. Paul, Minn.

On December 31, 1965, Midland had 950 employees. Of these 200 were engaged in general and administrative activities, 200 in supply manufacturing and processing, 480 in wholesale distribution, including warehousing and transportation, and 70 in retailing operations.

Table 32.--Condensed balance sheet of Midland as of August 31, 1964 and December 31, 1965

Item	1964	1965
Assets:		
Current	\$18,836,764	\$20,080,910
Fixed (net)	7,015,920	7,006,286
Other	16,133,527	16,578,614
Total	41,986,211	43,665,810
Liabilities and net worth:		
Current liabilities	11,761,273	13,688,111
Other liabilities		
Debentures	2,138,697	2,021,760
Other	6,486,615	6,207,399
Net worth (capital equities)	21,599,626	21,748,540
Total	41,986,211	43,665,810

Table 33.--Net worth or capital equities of Midland, December 31, 1965

Item	Amount
Common stock ¹	\$17,601,266
Preferred stock ¹	1,808,070
Stock credits	240,045
Patronage refunds payable in stock	926,526
Surplus	1,172,633
Total	21,748,540

¹ Includes subscriptions, but excludes treasury stock at cost.

Table 34.--Value of principal facilities (buildings and equipment, by plants) owned by Midland,
December 31, 1965

Facilities	Cost	Depreciated value
Midland - wholesale and manufacturing:		
Land and improvements--total.	\$2,756,828	\$1,763,222
Office and warehouse equipment.	2,331,922	1,012,216
Refinery and oil production property (complete)	11,047,719	3,474,557
Trucks and equipment	372,557	110,641
Other items	135,746	124,203
Midland retailing facilities:		
Petroleum, fertilizer, feed, and other facilities	736,758	370,633
Food and clothing stores.	170,039	127,937
Total	17,551,569	6,983,409
Midland - subsidiaries:		
General office, central warehouse, and oil blending plant	4,878,285	5,823,273
Other warehouses and equipment	10,561	
Oil production properties	1,044,895	
Petroleum terminals	1,332,896	
Total	17,266,637	15,832,273

¹ Represented by assets of subsidiaries included in "other assets" of the balance sheet.

Indiana Farm Bureau Cooperative Association, Inc.

Indiana Farm Bureau Cooperative Association, Inc. (IFBCA), with headquarters in Indianapolis, Ind., was organized in its present form in February 1927. On December 31, 1965, it had 85 countywide member farm bureau cooperatives in Indiana and 1 in Kentucky with a total of 265 distribution points. These 86 associations had approximately 135,000 members, about 90 percent of them farmers. None of the county associations

were under management and financing agreements with IFBCA.

Membership in IFBCA is limited to these county associations, which hold all of its voting stock. Membership is obtained by purchasing a \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only one vote.

IFBCA has 10 directors elected by districts for 3-year terms, and one public director appointed annually by the board of directors. The Indiana Farm Bureau

Cooperative Association is independent of the Indiana Farm Bureau, Inc., but one or more directors may be on the boards of both organizations. The same relationship exists among the county Farm Bureau cooperatives and county Farm Bureaus.

IFBCA has one wholly owned subsidiary--the Farm Bureau Oil Company--which handles crude-oil buying, producing, and pipeline operations.

IFBCA moved into marketing farm products in March 1947, when it started the Poultry and Egg Department. In October 1947, the Indiana Wood Growers merged with IFBCA,

and in October 1949, the Indiana Grain Cooperative merged with it. On December 31, 1965, the Indiana Grain Marketing Division of the association was serving 220 locally owned cooperative elevators in the State.

A diversified line of supplies and equipment is handled by IFBCA. Volume distributed was about \$66 million in 1965 (table 35).

Sales of IFBCA in 1964, included 171,202 tons of feed, 290,830 tons of fertilizer, and 151,133,135 gallons of refined fuels. Sales in 1965, included 155,875 tons of feed, 304,172 tons of fertilizer, and 154,708,045 gallons of refined fuels. Sales value of farm

Table 35.--Wholesale values of supplies distributed by IFBCA, business years ended December 31, 1964 and 1965

Commodities	1964	1965
Feed	\$14,804,979	\$13,610,804
Seed.....	1,488,141	1,246,799
Fertilizer	15,567,123	17,166,436
Gasoline, oil, and grease	19,497,455	19,768,630
Tires, tubes, and accessories.....	859,037	861,913
Farm equipment (other than machinery).....	1,073,017	1,310,189
Steel products	1,422,127	1,604,289
Lumber, paint, and other maintenance equipment.....	4,942,118	5,309,082
Insecticides.....	1,795,631	2,289,763
Electrical equipment and appliances	250,879	365,333
Twine.....	232,547	275,944
Coal.....	333,413	264,247
Chicks, eggs, and turkey poults.....	431,989	528,792
Hardware	532,479	620,288
Miscellaneous ¹	809,716	756,530
Total	64,040,651	65,979,039

¹ Includes such items as bulk plant equipment, printing supplies, and wool growers' supplies.

products marketed by the State association are shown in table 36. In 1964, the Wool Department handled 1,325,844 pounds of wool, and the Grain Division marketed 64,292,699 bushels of grain. In 1965, sales consisted of 1,320,000 pounds of wool and 62,355,761 bushels of grain.

IFBCA's net margins from purchasing and marketing operations available to patrons totaled \$4.1 million in 1964 and \$5.6 million in 1965 (table 37). The association derived approximately 73 percent of these net margins in 1964, and 75 percent in 1965, from supply purchasing operation. The remaining percentages were from marketing operations.

IFBCA also made cash retirements of its revolving capital in each of the last 2 years. During 1964, it retired \$2,771,200 of common stock, originally issued in payment of patronage refunds. As of December 31, 1964, it had retired all common stock issued through 1951. In 1965, the association retired \$1,163,800 of common stock. By December 31, 1965, it had retired approximately 50 percent of the 1952 issue. As of April 1966, it had retired the

Table 36.--Sales of farm products by IFBCA in 1964 and 1965

Commodities	1964	1965
Grain	\$111,969,024	\$101,835,027
Eggs	1,185,977	984,587
Wool	837,009	781,951
Total	113,992,010	103,601,565

Table 37.--Distribution of net margins of IFBCA in 1964 and 1965

Distribution of net margins	1964	1965
Cash dividends on capital stock	\$428,930	\$385,936
Patronage refunds:		
Cash or equivalent	2,033,245	1,849,801
Capital stock	1,172,000	2,875,000
Additions to capital reserves	403,797	517,860
Retained in patrons' equities	93,545	0
Total	4,131,517	5,628,597

Table 38.--Condensed balance sheet of IFBCA, December 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$37,041,894	\$42,579,118
Fixed (net)	17,640,582	22,053,969
Other	11,577,680	10,447,587
Total	66,260,156	75,080,674
Liabilities and net worth:		
Current liabilities	9,429,866	16,129,708
Debenture bonds	2,774,800	5,646,100
Other liabilities	3,324,882	1,701,888
Net worth (shareholder and patron equities)	50,730,608	51,602,978
Total	66,260,156	75,080,674

Table 39.--Net worth or shareholder and patron equities of IFBCA, December 31, 1965

Item	Amount
Preferred stock	\$9,021,500
Common stock (voting)	30,951,400
Common stock (nonvoting)	4,260,900
Patronage refunds to be applied against stock subscriptions	2,875,000
Reserve for revaluation of facilities acquired	116,930
General reserve	2,146,740
Patrons' equities--allocated	2,230,508
Total	51,602,978

balance of the 1952 issue and all of the 1953 issue totaling \$2,894,200.

On December 31, 1965, about 80 percent of the association's entire capital stock represented retained savings, and the remaining 20 percent had been sold to member association and others.

The financial condition of IFBCA at the end of 1964 and 1965, is shown in table 38; net worth items and facilities are shown in tables 39 and 40.

The association also had \$5,768,980 invested in federations of regional cooperatives which

operated various manufacturing and wholesaling facilities.

On December 31, 1965, IFBCA and its subsidiary had 1,064 employees. Of these, 595

were engaged in general and administrative activities, 236 in manufacturing and processing, 125 in wholesaling, including warehousing and transportation, and 108 in marketing farm products.

Table 40.--Value of principal facilities (buildings and equipment, by plants) owned by IFBCA, December 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
General:			
Land and improvements	--	\$1,018,588	\$850,256
General office buildings	1	879,604	421,372
Administrative	--	1,038,817	479,520
Total	--	2,937,009	1,751,148
Wholesaling and manufacturing:			
Fertilizer plants and equipment	4	5,601,996	1,991,156
Petroleum refinery	1	8,212,887	2,290,136
Oil well production	--	6,420,313	2,211,911
Petroleum product pipelines and equipment (miles)	230	4,637,796	2,904,627
Petroleum terminals and pump stations	5	2,622,409	1,425,219
Feed Mill	1	1,007,234	1,007,232
Seed plant and equipment	1	397,223	219,124
Wholesale farm supply warehouse	1	1,171,580	691,625
Hatcheries and equipment	5	105,181	22,020
Poultry breeding farm	1	154,317	88,555
Other	--	989,407	337,454
Total	--	31,320,343	13,189,059
Marketing farm products:			
Grain terminals and equipment	3	9,810,567	7,081,208
Poultry and egg plants and equipment	1	86,488	29,004
Other	1	18,790	3,550
Total	--	9,915,845	7,113,762
Total fixed assets	--	44,173,197	22,053,969
Subsidiary--Farm Bureau Oil Co.:			
(Properties represented by investments included in "other assets")			
Crude oil properties (intangible cost)	--	1,591,230	1,591,230
Crude oil pipeline and equipment of subsidiary (Farm Bureau Oil Company)	--	3,351,936	613,113
Total	--	4,943,166	2,204,343

Western Farmers Association

Western Farmers Association, with headquarters in Seattle, Wash., was organized in February 1917 as the Washington Cooperative Egg and Poultry Association. Its name was changed in February 1945 to Washington Cooperative Farmers Association when it broadened its membership requirements and scope of services. Its name was changed again in February 1960 to Western Farmers Association when it extended its services to Oregon farmers.

The association is a centralized cooperative with farmers holding direct membership in it. On December 31, 1965, it had 16,630 farmer-members located throughout Washington, western Oregon, and northern Idaho. It also served a number of nonfarm patrons, including associate members who formerly were bona fide members of the association.

Anyone engaged in producing farm products in commercial quantities may become a member by paying \$1 for a subscription to Western Farmer, the membership publication of the association. Those wishing to market products through the association must sign marketing agreements covering the specified commodities marketed. Each member has only one vote. The association has 16 directors elected by districts for staggered terms of 3 years.

Patrons are served through 35 branches and 10 dealers located throughout Washington, 4 branches and 3 dealers in Oregon, and 1 branch in Idaho. The general office headquarters are in Seattle.

All branches and dealers handle poultry and poultry products, feed, and general farm supplies. Only 6 have petroleum bulk plants, but in the areas of the other branch stations, oil products are delivered to farmers by the association's tank trucks direct from its suppliers' bulk plants. LP gas storage tanks are located at 6 branches, from which distribution is made to members.

Western Farmers Association is an integrated organization, which processes a large number of the products it markets and the supplies it distributes to members. Its annual supply business is about \$48 million, with feed the principal item (table 41).

Table 41.--Retail sales of supplies and equipment to patrons by WFA during years ended December 31, 1964 and 1965

Commodities	1964	1965 ¹
Feed	\$27,632,845	\$22,372,943
Seed	814,986	(¹)
Fertilizer	5,008,434	2,801,431
Petroleum products	10,303,573	9,475,878
Other farm supplies and equipment ²	3,969,708	1,089,184
Farm store merchandise ¹	(¹)	12,205,225
Total	47,729,546	47,944,661

¹Beginning in 1965, only bulk-delivered feed, fertilizer, and petroleum products and farm supplies were segregated. All other sales were included in "farm store merchandise." This account includes feeds, seed, fertilizer, and other farm supplies sold through farm service stores. Sales were not segregated by division after Jan. 1, 1965.

²Poultry and general equipment represented about 7 percent, building materials about 59 percent, and miscellaneous items the remaining 34 percent.

The association sold 352,938 tons of feed in 1964, of which 273,582 tons were delivered in bulk by 33 trucks. Volume in 1965 was 352,454 tons, with 284,859 tons of this quantity delivered in bulk by 32 trucks. Sales in 1964 also included 59,527 tons of fertilizer and 41,563,320 gallons of refined fuels. Sales in 1965 included 60,891 tons of fertilizer and 39,777,011 gallons of refined fuels.

The association was originally formed as an egg and poultry marketing association for its members, and this still is one of its major functions (table 42).

WFA realized net margins of about \$4.7 million in 1964 and \$3.9 million in 1965 (table 43). It derived about 97 percent of these margins in 1964 and 96 percent in 1965 from supply operations. The remaining percentages were realized from marketing operations.

Table 42.--Value of farm products marketed for patrons by WFA in 1964 and 1965

Products	1964	1965
Egg and egg products	\$9,259,136	\$9,453,726
Dressed poultry	7,813,899	7,736,436
Dressed turkeys	2,000,450	2,010,199
Canned poultry and turkey	2,866,028	2,844,488
Seed	1,006,684	1,270,015
Edible beans	547,939	495,360
Grain	4,927,822	5,977,163
Total	28,421,958	29,787,387

Table 43.--Net margins available to patrons and their distribution by WFA in 1964 and 1965

Distribution of net margins	1964	1965
Interest on "finance fund" certificates	\$1,054,791	\$1,082,151
Extra payments on marketing and patronage refunds on purchasing issued as "finance fund" certificates	3,373,700	2,614,478
Additions to rotating reserve fund	244,882	205,007
Total	4,673,373	3,901,636

This cooperative declares separate rates of extra payments on its egg, poultry, turkey, and seed marketing departments and separate patronage refund rates in its feed, seed, fertilizer, and farm supply departments.

In January 1964, the association retired its 1958 certificates in the amount of \$2,553,885. In January 1965, it retired 100 percent of its 1959 certificates in the amount of \$3,191,511.

It also retired rotating reserves totaling \$348,498 in 1964, and \$370,104 in 1965. The association has usually revolved both the finance fund certificates and the rotating reserves on a 6-year basis.

The financial condition, net worth items, and principal facilities of WFA are shown in tables 44-46.

Table 44.--Condensed balance sheet of WFA, December 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$19,142,258	\$20,689,551
Fixed (net)	12,180,319	12,311,051
Other	1,010,890	1,009,570
Total	32,333,467	34,010,172
Liabilities and net worth:		
Current liabilities	3,939,023	6,272,763
Net worth (finance fund, reserve funds, and undistributed operating margins)	28,394,444	27,737,409
Total	32,333,467	34,010,172

Table 45.--Net worth or member and patrons' equities of WFA, December 31, 1965

Item	Amount
Finance funds	\$21,807,604
Reserves from prior years--unallocated	3,224,462
Undistributed operating margins--current year	2,705,343
Total	27,737,409

Table 46.--Value of principal facilities (buildings and equipment, by plants) owned by WFA,
December 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
General:			
Land.....	--	\$1,333,796	\$1,333,796
Headquarters building and equipment	1	1,392,783	514,307
Central garage and research.....	--	633,752	358,370
Supply:			
Feed mills.....	5	5,592,136	3,110,218
Feed transfer stations (bulk).....	9	287,825	171,793
Fertilizer plants (bulk).....	11	408,983	273,062
Fertilizer plants (liquid).....	15	337,478	102,150
LP gas distributing plants.....	6	71,632	56,695
Trucks and autos.....	286	2,326,981	855,925
Retail petroleum distribution plants	6	138,404	54,632
Retail branch service stores and warehouses...	35	4,170,030	2,170,440
Marketing:			
Egg candling units.....	4	570,440	228,962
Egg products--cold storage.....	--	207,021	96,463
Canning kitchen.....	1	616,370	244,613
Poultry and turkey processing plants	3	2,554,299	1,493,501
Bean processing plant	1	405,518	276,186
Grain receiving units.....	10	657,998	490,935
Seed plants.....	3	373,327	206,066
Trucks and autos.....	62	570,330	272,937
Total	--	22,649,103	12,311,051

On December 31, 1965, approximately 10 percent of the association's net worth was represented by retained net operating margins or savings and the remaining 90 percent by regular capital subscriptions on farm products marketed.

The association also had \$935,962 invested in federations of regional cooperatives that operated various manufacturing and wholesaling facilities.

On December 31, 1965, the association had 1,284 employees. Of these approximately 196 were engaged in general office and administrative work; 131 were mainly in feed manufacturing; 218 were in central feed and supply warehousing and delivery operations; 444 were in central marketing and processing (egg candling, poultry and turkey processing, seed, bean, and grain plants); and 295 were in local marketing, feed, and supply activities.

The Farm Bureau Cooperative Association, Inc.

The Farm Bureau Cooperative Association, Inc., with headquarters at Columbus, Ohio, was organized in its present form on July 31, 1933.

On December 31, 1965, it was serving 76 member associations with 202 distributing points in Ohio, which in turn served about 220,000 patrons. Volume of business with farmers represented about 85 percent of the total business of these associations.

Forty of the county cooperative associations were under management agreements with the State association, and 40 of them also had financing agreements.

Membership in FBCA is obtained by purchasing a \$25 share of common stock and agreeing to the provisions of the bylaws. Each share of common stock has one vote. Preferred stock is used for financing purposes and carries no vote. Common stock of FBCA is held by the county cooperatives and the Ohio Farm Bureau Federation.

The same board of 26 directors governs both the Ohio Farm Bureau Federation and

The Farm Bureau Cooperative Association and they are elected by districts for staggered terms of 3 years. The county cooperatives, in which any farmer is eligible for membership, are independent of the county Farm Bureaus. The Association has four subsidiaries, but they are not consolidated in statements of the parent organization.

FBCA distributed about \$44 million worth of supplies at wholesale during both 1964 and 1965 (table 47). The value of grain marketed through FBCA was \$40,072,744 in 1964, and \$33,944,240 in 1965.

Table 47.--Wholesale value of commodities sold by FBCA, business years ended December 31, 1964 and 1965

Commodities	1964	1965
Feed	\$14,976,649	\$14,629,124
Fertilizer	8,800,368	9,149,673
Seed and seed potatoes	2,216,907	1,957,316
Petroleum products	11,818,622	11,786,278
Tires, tubes, and accessories	237,921	236,446
Stock equipment and hardware	995,509	828,266
Fence, roofing, and paint	2,443,408	2,098,322
Insecticides and fungicides	1,390,727	1,634,187
Electrical equipment and appliances	540,639	600,328
Miscellaneous ¹	785,235	747,865
Total	44,205,985	43,667,805

¹Includes such items as antifreeze, animal health supplies, and equipment for handling petroleum.

The association realized net margins of about \$1.7 million in 1965, a substantial increase over 1964 (table 48).

Table 48.--Net margins available to patrons and shareholders and their distribution by FBCA in 1964 and 1965

Distribution of net margins	1964	1965
Cash dividends on capital stock	\$551,822	\$429,134
Patronage refunds in:		
Cash or equivalent	242,337	1,072,855
Securities	242,337	-0-
Additions to capital reserves	115,166	191,188
Total	1,151,662	1,693,177

The association retired \$103,550 and \$1,015,050 in securities originally issued in payment of patronage refunds under its revolving plan in 1964 and 1965 respectively. As of December 31, 1965, it had retired all such stock on securities issued through 1950.

Total net margins available to patrons and shareholders since organization in 1933 have been \$28,927,787. Of this amount, the association paid \$7,250,639 as cash dividends on capital stock, \$5,000,618 as cash patronage refunds, \$14,096,540 as patronage refunds in securities, with the remaining \$2,579,990 retained for capital as reserves. The total amount of capital stock or other securities (representing patronage refunds) retired under the revolving capital plan has been \$5,810,150.

The financial position of FBCA as of December 31, 1964 and 1965, is shown in table 49. Net worth and value of facilities are shown in tables 50-51.

Approximately 36 percent of the total capital stock and certificates of ownership represents retained patronage refunds and the remaining 64 percent was sold to member associations and others.

At the end of 1965, FBCA also had investments of \$3,977,633 in federations of regional cooperatives that owned manufacturing and wholesaling facilities. In addition, it had \$5,967,097 invested in subsidiaries, county

Table 49.--Condensed balance sheet of FBCA, December 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$19,797,878	\$20,920,396
Fixed (net)	9,968,773	10,110,881
Other	12,117,254	9,944,731
Total	41,883,905	40,976,008
Liabilities and net worth:		
Current liabilities	5,460,253	6,465,273
Debentures	15,706,392	15,922,376
Other liabilities	2,075,188	1,842,292
Net worth (capital and reserves)	18,642,072	16,746,067
Total	41,883,905	40,976,008

Table 50.--Net worth or shareholders' and patrons' equities of FBCA, December 31, 1965

Item	Amount
Type of equity items:	
First preferred stock	\$4,865,550
Class A common stock	18,400
Class C common stock	3,882,650
Class D common stock	242,906
Certificates of ownership	4,767,402
Allocated operating capital reserve	2,178,591
General reserves	790,568
Total	16,746,067
Source of equity items:	
Cash investment directly by shareholders	13,776,908
Patrons' reinvested savings	2,178,591
General reserves	790,568
Total	16,746,067

Table 51.--Value of principal facilities (buildings and equipment, by plants) owned by FBCA on December 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
General:			
Land and Land Improvements	--	\$1,263,738	\$997,452
Headquarters building and equipment	1	1,199,662	576,002
Automobiles	--	308,744	262,531
Supplies:			
Feed mill	3	1,273,445	492,020
Feed transfer stations (bulk)	2	154,549	84,753
Fertilizer plants	3	2,330,366	485,468
Alfalfa plants	3	873,525	322,460
Insecticide plant	0	--	--
Seed plants	1	510,129	355,451
Wholesale farm supply warehouse	1	320,908	108,682
Transport trucks (dry and liquid)	31	802,269	303,357
Other Facilities	71	5,673,383	3,705,745
Marketing:			
Terminal grain elevators	4	4,613,371	2,416,960
Total	--	19,324,089	10,110,881

Farm Bureau associations, banks for co-operatives, and other companies and organizations.

On December 31, 1965, FBCA and its subsidiaries had 794 employees. Of these, 322 were engaged in general and administrative activities, 180 in manufacturing and processing operations, 152 in wholesale distribution

including warehousing and transportation, 97 in retail distribution, and 43 in marketing farm products.

Note: The material on this association, when given, was based in whole or in part on estimates believed to be accurate for purposes of this report.

Pacific Supply Cooperative

Pacific Supply Cooperative, commonly known as Pacific, with headquarters at Portland, Oreg., was organized December 10, 1933. At the close of its fiscal year June 30, 1965, it had 117 member associations located mainly in Oregon, Washington, and Idaho, with a few in northern California, western Montana, and Utah. Members of these associations numbered about 70,000 of whom 95 percent were farmers. It also served 61 nonmember associations with perhaps 20,000 members, of whom 95 percent were farmers. In addition, Pacific operated 1 retail petroleum plant and 4 local seed and grain plants with about 3,500 farmer-patrons. Of the local cooperatives served, 20 were under management or supervision agreements with Pacific.

Membership in Pacific is acquired by purchasing 10 shares of Class A common stock at \$100 a share and agreeing to the provisions of the bylaws. Each member also subscribes to additional shares annually, in amounts not exceeding 20 percent of annual net margins going to each member, but is not required to own more than 500 shares of such stock. Each member association has only one vote.

Pacific has 8 directors elected by districts for staggered terms of 2 years. It also has an advisory committee of 10 representing member cooperatives.

Pacific has one wholly owned subsidiary, Pacific Agricultural Credit Corporation, set up in 1965 to provide production loans to commercial farm operators in the Northwest.

The supply business of Pacific exceeded \$35 million in fiscal 1965, with fertilizer and petroleum constituting the principal items (table 52). Net margins were more than \$1.2 million--a substantial increase over fiscal 1964 (table 53).

Sales in fiscal 1964 included 187,773 tons of fertilizer and 54,086,690 gallons of refined fuels. Sales in fiscal 1965 included 210,305 tons of fertilizer and 54,611,292 gallons of fuels.

Retail sales of farm supplies by Pacific's local petroleum and seed and grain plants totaled \$5,083,483 in fiscal 1964 and \$4,711,745 in 1965.

Table 52.--Wholesale value of supplies distributed by Pacific during fiscal years ended June 30, 1964 and 1965

Commodities	1964	1965
Feed and grain wholesaled to locals	\$2,119,103	\$1,885,401
Fertilizer	11,049,415	12,723,490
Seed wholesaled to locals	1,118,194	2,012,912
Gas, oil, grease, and fuel oil	10,815,009	10,870,528
Tires, tubes, and other automotive supplies	1,457,449	1,432,866
Insecticides and chemicals	1,795,063	2,046,958
Hardware and farm mechanical items ¹	3,009,056	2,980,926
Miscellaneous supplies	72,458	122,448
Transportation revenue	775,308	771,826
Other service revenue	197,667	267,464
Total	32,408,722	35,114,819

¹Includes lumber, paint, steel products, general farm equipment, home appliances, and irrigation equipment.

Table 53.--Net margins available to patrons and their distribution by Pacific in fiscal 1964 and 1965

Distribution of net margins ¹	1964	1965
Cash dividends on preferred stock and interest on capital reserve and refinery revolving certificates	\$165,685	\$179,410
Patronage refunds paid in:		
Cash or equivalent	144,326	218,397
Capital reserve certificates	485,221	712,637
Common stock and credits	85,132	137,793
Additions to general reserves	--	--
Total	880,364	1,248,237

¹ Before payment of dividends on stock and interest on other certificates.

Pacific marketed farm products during the 2 years as follows:

Commodities	1964	1965
Seed	\$3,291,269	\$3,114,737
Grain	2,560,038	3,999,192
Total	5,851,307	7,113,929

Approximately 100 percent of the net margins in both fiscal 1964 and 1965 were derived from supply operations.

The association did not retire in fiscal 1964 and 1965 any capital reserve certificates originally issued as patronage refunds. Under its revolving capital plan, the association now has retired all such certificates through 1947.

Total net savings available to patrons, before dividends on capital stock and interest on capital reserve certificates, since organizing in 1933 and through June 30, 1965, have been \$13,559,181. They have been distributed as follows: Cash dividends on capital stock and interest on capital reserve certificates, \$1,759,922; cash patronage refunds and capital reserve certificates, \$8,832,521; patronage refunds issued as common capital stock and stock credits, \$1,571,989; general reserves, \$533,333; and undivided net margins, \$861,418.

Cash refunds paid out and capital reserve certificates retired or adjusted have totaled \$3,337,652, thus leaving \$5,494,869 of such certificates outstanding and to be revolved.

The financial position, net worth items, and principal facilities of Pacific are shown in tables 54-56.

The association also has an investment of \$602,053 in federations of regional cooperatives that operated manufacturing and wholesaling facilities.

On June 30, 1965, Pacific had 290 employees. Of these, 80 were engaged in general administrative work; 7 in supply manufacturing and processing; 146 in wholesaling, including warehousing and transportation; 49 in retailing; and 8 in marketing farm products.

Table 54.--Condensed balance sheet of Pacific, June 30, 1964 and 1965

Item	1964	1965
Assets:		
Current assets	\$11,024,358	\$12,094,831
Fixed assets (net)	4,793,433	5,004,245
Other assets and investments	3,808,821	4,001,139
Total	19,626,612	21,100,215
Liabilities and net worth:		
Current liabilities	7,103,460	7,794,838
Other liabilities	2,007,232	1,809,360
Net worth or member and patron equities	10,515,920	11,496,017
Total	19,626,612	21,100,215

Table 55.--Member equity (capital account) of Pacific, June 30, 1965

Item	Amount
Preferred stock	\$2,769,750
Common stock--class A	1,296,400
Common stock--class B	191,100
Common stock credits	16,970
Capital reserve certificates:	
2 percent converted (no maturity; issued 1946-48)	315,743
New series (no dividends; no maturity; issued 1949-58)	5,179,126
Refinery revolving fund certificates	332,174
General reserve--allocated	533,335
Undivided margins--for current year	861,419
Total	11,496,017

Table 56.--Value of principal facilities (buildings and equipment, by plants) owned by Pacific on June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Wholesaling and manufacturing:			
Land.....	--	\$324,716	\$324,716
Office	1	442,117	262,530
Wholesale farm supply warehouses.....	2	1,068,317	945,668
Wholesale fertilizer warehouses	5	734,236	497,634
Liquid fertilizer plants (local).....	43	263,273	39,751
Crude oil properties and equipment (leased). . . .	--	748,212	269,605
Highway transports	18	414,778	71,151
Petroleum tank farm and related facilities.	--	1,560,676	1,101,852
Other facilities ¹	--	1,666,346	1,100,448
Construction in progress	--	63,290	63,290
Retailing:			
Seed, grain, and fertilizer plants	5	1,228,257	327,600
Total	--	8,514,218	5,004,245

¹ Consists mainly of facilities leased to others.

Tennessee Farmers Cooperative

Tennessee Farmers Cooperative, La Vergne, Tenn., referred to as TFC, was organized on September 27, 1945. On July 31, 1965, it was serving 86 member and 4 nonmember cooperatives in Tennessee. These associations were serving about 70,800 members with approximately 100 percent of them farmers. Seven of the locals were under management and financing arrangements with TFC.

Membership in TFC is obtained by purchasing a \$100 share of common stock and agreeing to provisions of the bylaws. Each member association has only one vote. TFC

has seven directors elected by districts for staggered terms of 3 years and one public director elected by the seven.

TFC is independent of the Tennessee Farm Bureau Federation, but a director may serve on the board of directors of both organizations. The same relationship exists among the county cooperatives and county farm bureaus.

TFC's supply business was almost \$35 million in fiscal 1965, with fertilizer and feed the major items (table 57).

Sales in fiscal 1964, included 102,718 tons of feed, 157,582 tons of fertilizer, and 4,426,300 gallons of refined fuels. Volume in fiscal 1965, included 110,988 tons of feed, 178,682 tons of

Table 57.--Wholesale value of supplies sold by TFC during fiscal years ended July 31, 1964 and 1965¹

Commodities	1964	1965
Feed	\$5,100,295	\$9,540,141
Fertilizer	7,327,069	11,350,769
Seed	2,247,503	3,401,354
Building supplies and hardware	2,147,650	3,772,053
Petroleum products and tires	3,292,566	5,160,100
Agricultural chemicals	1,030,457	1,543,340
Total	21,145,540	34,767,757

¹ In 1964 TFC changed from a calendar year basis to a fiscal year basis ending on July 31.

Table 58.--Distribution of net margins by TFC, fiscal 1964 and 1965

Distributions of net margins	1964	1965
Cash dividends on capital stock	\$240,097	\$442,628
Patronage refunds in cash:		
Purchasing	135,340	188,699
Marketing	-0-	93,559
Patronage refunds paid in preferred stock	390,000	515,570
Additions to allocated reserves	151,360	201,224
Tax paid surplus (Reserve for contingencies after taxes)	8,111	30,933
Federal income taxes	4,727	7,067
Total	929,635	1,479,680

fertilizer, and 6,796,000 gallons of refined fuels.

In April 1961, TFC acquired a grain elevator and for the first time entered into marketing. Volume of business in marketing amounted to \$2,674,448 in fiscal 1964, and to \$4,524,242 in fiscal 1965, principally in wheat and soybeans.

TFC's net margins available to patrons totaled about \$1.5 million in fiscal 1965 (table 58). In addition to net margins available to patrons at the end of fiscal 1964, the association paid out \$1,130,197 in cash during the year to the county cooperatives on special performance programs. The amount of such incentive payments in 1965 was \$1,503,502.

TFC has operated on a revolving capital plan, which has not been under a firm advance commitment. Allocated reserves are now revolved on a 5-year basis and preferred stock on a 10-year basis. In fiscal 1964, TFC paid back \$118,191 of allocated reserves for 1958 and 1959, and recalled \$33,370 of preferred stock issued in 1954. In 1965, it paid back \$170,783 of allocated reserves for 1960 and 1961, and recalled \$44,660 of preferred stock issued

in 1955. Holders of the 2 years of recalled stock were given the option of reinvesting in 1964 and 1965 preferred stock, respectively; and substantial amounts were so invested.

Total net margins available for patrons since organization in 1945, have been \$10,339,975. Of this amount, the association paid \$2,600,234 as cash dividends on capital stock, \$503,142 in cash patronage refunds, \$5,422,000 as patronage refunds in capital stock, and retained \$1,814,599 as patrons' allocated reserves.

The cooperative has retired member equities totaling \$1,028,651 since organizing. In addition, it has paid a considerable amount to local cooperatives for special performance under various programs.

The financial condition, net worth items, and principal facilities of TFC are shown in tables 59-61.

TFC also had \$2,207,718 invested in federations of regional cooperatives that operated manufacturing and wholesaling facilities.

Table 59.--Condensed balance sheet of TFC as of July 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$4,647,573	\$5,616,499
Fixed (net)	3,804,696	4,087,913
Other	2,316,734	2,278,586
Total	10,769,003	11,982,998
Liabilities and net worth:		
Current liabilities	1,775,926	2,023,785
Other liabilities	935,000	755,000
Net worth or member and patron equities	8,058,077	9,204,213
Total	10,769,003	11,982,998

Table 60.--The net worth, or member and patron equities, of TFC on July 31, 1965

Item	Amount
Preferred stock @ \$10 par value ¹	\$7,542,630
Common stock @ \$100 par value	8,700
Patronage refunds payable in preferred stock	515,570
Patron's allocated reserves	751,864
Reserve for contingencies	103,191
Cash patronage payable (Undistributed savings)	282,258
Total	9,204,213

¹About 70 percent of the association's preferred stock represented patronage refunds and the remaining 30 percent had been sold to member associations and others.

Table 61.--Value of principal facilities (buildings and equipment, by plants) owned by TFC on July 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
General:			
Land (acres)	225	\$249,507	\$249,507
Office building	7	416,281	309,988
Supplies:			
Fertilizer plants	4	1,310,982	468,172
Seed plants	3	300,704	129,250
Warehouses	3	760,248	568,566
Automotive equipment	16	169,263	67,835
Feed mills	2	2,342,189	1,529,647
Tire recapping plants	1	141,493	86,966
Other	--	230,689	120,735
Marketing:			
Grain elevators	6	699,924	557,247
Total	--	6,621,280	4,087,913

As of July 31, 1965, TFC had 368 employees. Of this number, 85 were engaged in general and administrative activities, 251 in manufacturing or processing supplies, 30 in wholesale distribution, including warehousing and transportation, and 2 in marketing farm products.

Farmers Elevator Service Company, Inc.

(Became The Farmers Regional Cooperative on Oct. 1, 1965)⁴

The Farmers Elevator Service Company, Inc., commonly known as Felco, with headquarters at Fort Dodge, Iowa, was organized as a wholesale supply regional cooperative in 1926. It had operated 5 years prior to this as an informational and educational association. At the close of its operating year, September 30, 1965, it had 475 local member associations located mainly in Iowa, with some in Minnesota, South Dakota, and Illinois. Patrons of these associations numbered approximately 145,000 farmers.

Only farmer-owned cooperatives could qualify as members of Felco, and all business was done with them. No individual farmers were members of Felco. Membership was obtained by purchase of one \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association had only one vote. Felco had no management or financing agreements with member companies.

Felco had 10 directors elected for 3-year terms from 10 districts. In addition, Felco had three advisory directors which were appointed annually by a sister organization, Farmers Grain Dealers Association of Iowa, located in Des Moines. In turn, Felco annually

⁴Stockholders voted to merge with Farmers Union State Exchange, Omaha, Nebr., on October 1, 1965, under the name of The Farmers Regional Cooperative with home offices at Fort Dodge, Iowa. This report covers the separate fiscal 1964 and 1965 operations of each. See p. 57 for discussion of Farmers Union State Exchange.

appointed three directors to sit as advisory members on the board of Farmers Grain Dealers Association.

Felco distributed feed, feed ingredients, fertilizer, seed, farm chemicals, petroleum, and miscellaneous production supplies and equipment. Volume was more than \$34 million and net savings totaled \$1.7 million in fiscal 1965 (tables 62 and 63). Felco served as a central manufacturer of Felco livestock feeds for member companies with central plants located at Fort Dodge, Mason City, and Clarence, Iowa. Several other warehouse locations were also maintained for distribution of farm supply items.

Felco had a 50 percent interest in Fel-Tex, Inc., which operated a nitrogen plant at Fremont, Nebr. Farmers Union State Exchange owned the other 50 percent.

Felco also made cash retirements of revolving capital in the last 2 years. In 1964, it retired 20 percent of its 1958 patronage refund allocations which totaled \$104,857. In 1965, it retired the balance of the 1958 allocations which totaled \$418,949. Thus, total cash distributions to members--consisting of feed price adjustments, dividends, refunds, and retirements of revolving capital--amounted to \$395,937 in 1964 and to \$806,171 in 1965.

Table 62.--Wholesale value of supplies sold by Felco during fiscal years ended September 30, 1964 and 1965

Commodities	1964	1965
Feeds and ingredients	\$18,586,682	\$19,564,336
Seeds	1,500,433	1,618,958
Fertilizer	6,927,559	8,778,104
Farm chemicals	968,298	1,946,497
Petroleum products	242,405	525,504
Other supplies	2,433,733	1,980,804
Total	30,659,110	34,414,203

The financial position, net worth items, and principal facilities of Felco are shown in tables 64-66.

Table 63.--Distribution of net savings by Felco in fiscal 1964 and 1965

Distribution of net savings	1964	1965
Feed volume price adjustments paid in cash	\$84,420	\$88,587
General reserve (10 percent of remaining savings)	103,330	149,317
Cash patronage refunds (20 percent of total refunds)	206,660	298,635
Allocated patronage refunds (80 percent of total refunds)	723,312	1,045,221
Cash dividends on capital stock	74,403	131,666
Income taxes	128	917
Total	1,192,253	1,714,343

Table 64.--Condensed balance sheet of Felco as of September 30, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$4,196,281	\$5,371,778
Fixed (net)	1,739,368	2,100,422
Investments	654,211	1,190,205
Other	38,042	61,198
Total	6,627,902	8,723,603
Liabilities and members' equities:		
Current liabilities	829,575	1,469,985
Long-term liabilities	469,148	655,348
Members' equity or net worth	5,329,179	6,598,270
Total	6,627,902	8,723,603

Table 65.--Net worth or members' equities of Felco on September 30, 1965

Item	Amount
Capital stock	\$3,833,107
Capital stock credits	1,421
Allocated patronage refunds	2,672,832
Paid-in surplus	90,910
Total	6,598,270

Table 66.--Value of principal facilities (building and equipment, by plants) owned by Felco on September 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Land	--	\$103,311	\$103,311
Feed mills	3	1,673,773	748,398
Warehouses	4	690,706	355,783
General office	4	627,200	413,589
Autos and trucks	--	6,362	3,698
Research farm	1	205,110	160,862
Fertilizer plants	--	337,471	314,781
Total	--	3,643,933	2,100,422

Felco also had investments and patronage refund credits in other regional cooperatives totaling \$1,190,205 on September 30, 1965.

At the close of the 1965 fiscal year, Felco had approximately 184 employees. Of these, 101 were engaged in general and administrative duties; 44 in manufacturing operations; and 39 in wholesale distribution, including warehousing and transportation.

FCX, Inc.

FCX, Inc., with headquarters at Raleigh, N.C., was organized on March 12, 1934, as Farmers Cooperative Exchange, Inc. Its name was changed in December 1965 and all subsidiary corporations were liquidated.⁵ On June 30, 1965, FCX had 55,000 members in North and South Carolina; approximately 99 percent of them were farmers. Approximately 91 percent of its production supply purchasing business was with farmer-patrons in fiscal 1965.

FCX is a centralized cooperative with farmers holding direct membership in it. Any farmer may become a member by acquiring a \$1 share of common stock and agreeing to comply with the bylaws. Each member has only one vote.

FCX has 15 directors elected at the annual meetings, for staggered terms of 3 years. Eleven directors are nominated on a district basis by owners of FCX common stock. One director is nominated by the board of directors of North Carolina Cotton Growers Cooperative Association, one by the executive committee of the North Carolina Grange, and one by the executive committee of North Carolina Farm Bureau Federation. One is a public director selected jointly by the North Carolina Commissioner of Agriculture, the Director of North Carolina Extension Service, and the President of Greater North Carolina University.

Supplies are distributed through 70 FCX-operated retail service stores, 12 affiliated independent cooperative associations, and 150 independent dealer-agencies. Approximately 20 percent of FCX's total supply volume moves through these private dealer-agencies.

Feed and fertilizer manufacturing operations are conducted through two feed mills and two fertilizer plants. FCX is a partner in Farmers Chemical Association, Tyner, Tenn., which manufactures liquid fertilizer.

⁵ The operations of FCX are closely related to those of the Carolinas Cotton Growers Association, Inc. The same general manager serves both organizations. The cotton handled by the Carolinas Cotton Growers was valued at \$4,140,230 for the 1964-65 season, and its net worth on June 30, 1965, was \$1,494,591.

FCX's gross wholesale volume of supplies was \$34 million in fiscal 1965 with feed accounting for almost half the amount (table 67). Marketing sales totaled \$9.5 million (table 68).

Sales in fiscal 1964 included 158,479 tons of feed, 206,390 tons of fertilizer, and 8,072,968 gallons of refined fuels. Volumes sold in fiscal 1965 were 147,471 tons of feed, 225,352 tons of fertilizer, and 10,420,000 gallons of refined fuels.

Intercompany transfers from manufacturing plants to the wholesale division and from it to FCX retail service stores totaled \$23,083,018 in fiscal 1964 and \$22,890,170 in fiscal 1965.

Table 67.--Gross wholesale volume of supplies (which includes intercompany transfers) distributed by FCX during fiscal years ending June 30, 1964 and 1965.

Commodities	1964	1965
Feeds and grains	\$16,479,381	\$16,027,212
Fertilizer	6,856,290	7,153,012
Seed	3,033,929	2,309,505
Petroleum products	931,070	1,255,885
Tires, tubes and batteries	520,302	754,223
Building supplies and paints	1,204,773	1,211,614
Livestock and poultry equipment	497,764	489,430
Electrical appliances	268,072	370,287
Sprays and dusts	2,222,872	2,343,611
Miscellaneous farm supplies ¹	2,472,561	2,281,545
Total	34,487,014	34,196,324

¹Includes such items as hardware, hose, grain bins, pumps, fencing, lawn mowers, shovels, hoes, and rakes.

Table 68.--Sales of farm products by FCX in fiscal 1964 and 1965

Commodities	1964	1965
Grains	\$4,639,961	\$6,304,588
Eggs and poultry	2,753,669	1,947,806
Livestock	222,912	232,928
Fruits and vegetables	1,135,699	1,058,362
Total	8,752,241	9,543,684

Deducting such transfers left net wholesale sales of \$11,403,996 in 1964 and \$11,306,154 in 1965.

Retail sales of supplies by FCX service stores (retail branches) were \$17,815,530 in fiscal 1964 and \$18,555,948 in 1965. Therefore, FCX's net wholesale and retail sales of supplies totaled \$29,219,526 in fiscal 1964, and \$29,862,102 in 1965.

Gross supply purchasing and marketing volume (including intercompany transfers) thus totaled \$61,054,785 in fiscal 1964 and \$62,295,956 in 1965. The net combined volume (after eliminating all intercompany transfers) totaled \$37,971,767 in fiscal 1964 and \$39,405,786 in fiscal 1965. In addition, income from services totaled \$1,008,670 in 1964 and \$982,753 in 1965.

Net margins of the FCX system were almost \$1.2 million in fiscal 1965 (table 69).

All net margins in fiscal 1964 and 1965 were derived from supply operations.

The capital stock and debentures retired in fiscal 1964 totaled \$6,171, and was \$13,935 in fiscal 1965. These amounts included stock retired upon request and debentures retired at maturity date as FCX does not operate on a revolving capital basis.

Total net margins available for distribution to patrons of the combined FCX system since 1934 have been \$12,858,240. Of this amount, FCX paid \$5,452,717 as cash dividends on capital stock; paid \$5,549,747 of patronage

refunds in capital stock and debentures; and retained the remaining \$1,855,776 for capital as general reserves.

A condensed financial statement and an itemized list of net worth items and facilities of FCX are shown in tables 70-72.

Table 69.--Total net margins of FCX's wholesale, retail, and marketing system and their distribution in fiscal 1964 and 1965

Distribution of net margins	1964	1965
Income taxes	\$146,838	\$429,913
Cash dividends on capital stock	445,450	463,583
Patronage refunds in cash	-0-	-0-
Patronage refunds paid in capital stock and debentures	-0-	-0-
Additions to capital reserves	310,182	269,019
Total	902,470	1,162,515

Table 70.--Condensed balance sheet of FCX as of June 30, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$16,330,534	\$18,222,818
Fixed (net)	8,886,701	8,891,054
Investments	1,307,741	1,441,339
Other	609,986	972,758
Total	27,134,962	29,527,969
Liabilities and net worth:		
Current liabilities	9,187,110	9,307,296
Subordinated and other debentures ¹	4,095,648	4,241,549
Other liabilities	2,963,433	4,450,339
Capital stock and other member equities	10,888,771	11,528,785
Total	27,134,962	29,527,969

¹ Mostly investment debentures--5 percent, 1963-75 series.

Table 71.--Capital stock and other members' and patrons' equities of FCX, June 30, 1965

Item	Amount
Capital stock--common	\$186,217
Capital stock--preferred	9,107,430
Patronage refund credits on Class D preferred stock	379,360
Capital reserves or patrons equities (for self-insurance, inventory decline, and working capital)	1,855,778
Total	11,528,785

FCX and Southern States Cooperative, Inc., also jointly manufacture feed and fertilizer in Norfolk, Va. FCX's investment in these facilities and in federations of regional cooperatives that operated manufacturing and wholesaling facilities amounted to \$127,000 on June 30, 1965.

On June 30, 1965, the FCX system had 1,100 employees. Of these, 255 were engaged primarily in general and administrative work, 175 in supply manufacturing and processing, 150 in wholesaling, including warehousing and transportation, 450 in retailing, and 70 in marketing, including processing operations.

Table 72.--Value of principal facilities (building and equipment, by plants) owned by FCX on June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Regional--general, wholesale, and manufacturing:			
Land	--	\$ 290,044	\$ 290,044
Office building	1	859,598	468,710
Farm supply warehouses	5	2,200,883	1,200,000
Equipment in warehouses and plants ¹	--	566,481	300,000
Feed mills	2	1,741,473	1,242,310
Fertilizer mixing plants	2	1,310,428	566,290
Seed cleaning plants		275,000	75,000
Total	--	7,243,907	4,142,354
Regional--marketing:			
Land		37,762	37,762
Canning plants	1	592,753	400,000
Grain elevators	2	392,519	280,000
Egg marketing plants	1	26,000	18,000
Total	--	1,049,034	735,762
Local--retail and marketing:			
Land	--	546,151	546,151
Farm supply stores ²	70	2,017,563	1,502,358
Seed cleaning plants		68,903	34,450
Equipment in warehouses and plants ^{1 3}	--	2,122,212	1,295,004
General delivery trucks	300	1,587,440	634,975
Total	--	6,342,269	4,012,938
Total--all facilities	--	14,635,210	8,891,054

¹ Exclusive of seed cleaners and trucks.

² Represents stores operating in building owned by FCX.

³ Includes custom-mixing mills.

M. F. A. Milling Company

M. F. A. Milling Company, with headquarters in Springfield, Mo., was organized in 1923 and reorganized on its present basis in 1929. On June 30, 1965, it was serving 132 local M. F. A. exchanges (farmer cooperatives) in Missouri which has approximately 50,000 farmer-members. In addition, it was supplying feed to 125 local cooperatives in Kansas, Arkansas, Mississippi, Louisiana, Oklahoma, and Texas, which had about 25,000 farmer-members.

None of the local exchanges or cooperatives are under management or supervision agreements with the M. F. A. Milling Company.

M. F. A. Milling Company, the largest regional supply association affiliated with the Missouri Farmer Association, Columbia, is owned by local M. F. A. exchanges or cooperatives in southern Missouri. Each member exchange has only one vote. The M. F. A. Milling Company is organized on a nonstock, non-profit plan and is financed by member-patrons' equities.

A local M. F. A. exchange may obtain membership in the M. F. A. Milling Company by just distributing its feeds. The local exchanges, in turn, are owned by the M. F. A. members they serve. A farmer may obtain membership in a local M. F. A. exchange by making \$25 worth of purchases from it.

The State board of directors of the Missouri Farmers Association constitutes the Class A membership of the M. F. A. Milling Company, and it names 6 of its directors to the 12-man board of directors of the milling company for a 1-year term. The local M. F. A. exchanges served by the M. F. A. Milling Company constitute its Class B membership. They elect six of its directors, by districts, for 1-year terms.

M. F. A. Milling Company's principal function is to mill feed for its member exchanges (table 73). The volume of feed manufactured was 11,377,164 bags in 1964 and 11,045,170 bags in 1965.

Net savings of the company were \$892,565 in fiscal 1964 and \$507,706 in fiscal 1965. The entire amount was paid in cash to patrons each year.

Table 73.--Wholesale value of supplies distributed by M. F. A. Milling Company during fiscal years ended June 30, 1964 and 1965

Commodities	1964	1965
Feed	\$32,660,173	\$30,920,751
Seed	1,347,818	1,227,181
Total	34,007,991	32,147,932

M. F. A. Milling Company operated on a 5-year revolving capital plan for many years. Since 1953, however, it has paid out all of each year's net savings as cash patronage refunds, except in 1958 when about \$300,000 was added to member-patron equities and in 1963 when patronage refunds were paid at 15 cents per hundredweight based on current purchases and \$33,686 was added to member-patron equities.

Total net savings since organizing on June 30, 1929, have been \$25,199,700. Of this amount, the company has paid \$20,650,623 as cash patronage refunds and placed the remaining \$4,549,077 in member-patrons' equities and surplus.

The financial position, net worth items, and principal facilities of the company are shown in tables 74 and 75.

The net worth of M. F. A. Milling Company on June 30, 1965, consisted of the following:

Item	Amount
Member-patrons' equities	\$4,033,686
Surplus	31,253
Net savings for 1964-65 (not yet distributed)	407,706
Total	4,472,645

M. F. A. Milling Company, on June 30, 1965, had 415 employees--235 in Springfield and 180 in Aurora. Of these, 45 were engaged in general administrative activities, 355 in manufacturing and processing operations, and 15 in wholesale distribution and field service work.

Table 74.--Condensed balance sheet of M.F.A. Milling Company on June 30, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$5,429,059	\$6,246,197
Fixed (net)	2,791,417	2,719,287
Other	229,361	235,212
Total	8,449,837	9,200,696
Liabilities and net worth:		
Current liabilities	2,325,983	4,593,612
Other liabilities	1,200,000	34,439
Net worth	4,923,854	4,572,645
Total	8,449,837	9,200,696

Table 75.--Value of principal facilities (buildings and equipment, by plants) of M.F.A. Milling Company, June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Land	--	\$154,940	\$154,940
Feed mills and seed plant (buildings, machinery and equipment)	2	6,902,304	2,564,477
Total	--	7,057,244	2,719,417

Pennsylvania Farm Bureau Cooperative Association

(Stockholders voted to merge with Agway Inc., Syracuse, N.Y., as of June 1, 1965)

Pennsylvania Farm Bureau Cooperative Association, with headquarters at Harrisburg, Pa., was organized in 1934. As of May 31, 1965, PFBCA was serving 33 member asso-

ciations that were operating countywide through 70 stores, with about 54,000 members, all of them farmers. Nineteen county associations were under management of the State association.

Supplies also were distributed by 9 retail stores and 20 private dealer-agents of the Farm Bureau Cooperative Distribution Association, Harrisburg, Pa., operating over much of the State. During 1965, it had about 9,000 patrons, approximately 93 percent of them farmers. The total service area of the State association comprised 51 counties in the southern two-thirds of Pennsylvania.

Membership in PFBCA is limited to local agricultural cooperatives and the Farm Bureau Cooperative Distribution Association; it is obtained by acquiring a \$25 share of common stock and agreeing to comply with the bylaws. Each association has only one vote. The association has 33 directors, one from each of its member associations, elected for staggered terms of 3 years. In the county associations, any farmer may obtain membership by acquiring a share of stock and agreeing to comply with the bylaws.

The Pennsylvania Farm Bureau Cooperative Association is independent of the Pennsylvania Farmers Association, an affiliate of the American Farm Bureau Federation. Likewise, county member cooperatives of PFBCA are independent of the county units of the Pennsylvania Farmers Association.

The amount of supplies PFBCA distributed at wholesale and the net margins on all operations in 1964 and the 5-month period in 1965 before it merged with Agway is shown in tables 76 and 77. Only \$28,701 worth of grain and other products was marketed by the association in 1964 and \$321,430 worth through May 31, 1965.

Approximately all of the net margins in 1964 and 1965 were derived from supply operations.

Total net margins available to patrons since organization in 1934 have been \$9,945,470. Of this amount, \$2,434,689 was paid as cash dividends on capital stock; \$1,654,559 was paid currently as patronage refunds in cash; \$3,386,120 was paid as patronage refunds in capital stock; and the remaining \$2,301,773 was retained as capital reserves.

Table 76.--Wholesale value of supplies handled by PFBCA during the year ended December 31, 1964 and the period ended May 31, 1965

Commodities	1964	1965 (5 mos.)
Feed	\$9,398,371	
Fertilizer	3,776,235	
Seed	1,223,325	
Petroleum products	9,012,486	
Plant equipment	850,033	
Steel products	668,480	(Detailed
Lumber, paint, and main- tenance equipment	236,950	data
Insecticides	641,395	not
Electrical equipment and appliances	111,057	available)
Twine	360,854	
Chicks, turkeys, and broilers	889,058	
Other supplies	92,842	
Total	27,261,086	\$12,746,635

Table 77.--Net margins available to patrons and their distribution by PFBCA during 1964 and 5 months of 1965

Distribution of net margins	1964	1965 (5 mos.)
Cash dividends on capital stock	\$129,700	--
Patronage refunds in:		
Revolving fund certifi- cates	101,440	--
Cash	25,360	--
Additions to capital reserves	14,300	-\$30,044
Total	270,800	-30,044

A local cooperative's investment in PFBCA is calculated as a percentage of the current purchases. If its investment in common and preferred stock and noninterest-bearing certificates is more than the calculated share, the local receives all its patronage refund in cash. If less, the refund is paid in PFBCA certificates to bring the investment to the required amount.

The financial condition of PFBCA, net worth items, and principal facilities of PFBCA are shown in tables 78-80.

Table 78.--Condensed balance sheet of PFBCA, December 31, 1964 and May 31, 1965

Item	December 31, 1964	May 31, 1965
Assets:		
Current	\$4,210,789	\$4,487,778
Fixed (net)	2,227,278	2,185,464
Other	5,187,686	5,046,995
Total	11,625,753	11,720,237
Liabilities and net worth:		
Current liabilities	2,300,406	2,320,232
Other liabilities	1,975,100	1,866,125
Net worth (capital and reserves)	7,350,247	7,533,880
Total	11,625,753	11,720,237

Table 79.--Net worth or member and patron equities of PFBCA on May 31, 1965

Item	Amount
Preferred stock	\$2,632,100
Common stock	2,842,125
Revolving fund certificates	232,301
Reserves--allocated	1,668,032
Current net savings	159,322
Total	7,533,880

Table 80.--Value of principal facilities (buildings and equipment, by plants) owned by PFBCA on December 31, 1963 (the latest date information was available)

Facilities	Number of plants or units	Cost	Depreciated value
Land	--	\$199,402	\$184,715
Feed mill and seed cleaning plant	1	972,754	406,435
Uniontown mill.	1	42,390	40,871
Bulk feed terminal	1	72,089	53,971
Wholesale farm supply warehouses	2	271,856	79,942
Office building	1	536,204	233,689
Transport trucks and trailers	50	528,922	207,938
Hatcheries	2	203,509	81,620
Poultry demonstration farm	1	¹ 120,327	41,324
Feed evaluation farm	1	145,547	84,450
Automobiles	7	17,810	9,123
Fertilizer blending plants	3	190,657	182,816
Miscellaneous	--	707,188	568,026
Total	--	4,008,655	2,174,920

¹ Includes cost of poultry breeding and feed evaluation farms.

The major portion of the outstanding common stock is represented by retained patronage refunds, with the minor portion being purchased. All of the preferred stock outstanding has been purchased.

The association on December 31, 1963, held investments of \$4,853,455 in federated regional and national cooperatives and allied companies which owned various manufacturing and wholesaling facilities.

On December 31, 1963, PFBCA had 309 employees. Of these, 127 were engaged in general and administrative activities, 26 in manufacturing and processing operations, and 156 in wholesale distribution, including warehousing and transportation.

Pacific Growers, Inc.

Pacific Growers, Inc., with headquarters in San Leandro, Calif., was formed on September 28, 1963, to effect a consolidation of Nulaid Farmers Association, San Leandro, and Hayward Poultry Producers Association, Hayward.

Nulaid was incorporated as Poultry Producers of Central California in October 1916. At first its sole purpose was marketing eggs, but in 1926, it began manufacturing and distributing feeds for poultry, dairy cattle, and other types of livestock. Later it began marketing poultry. Hayward Poultry Producers Association was incorporated in November, 1910,

and its major service for over 50 years was feed manufacturing. In recent years, it expanded its service area through relocation and mergers and helped establish an egg marketing program for its members.

Pacific Growers is a centralized cooperative. It provides feed and supply services in the central coast and central valley counties of California north of Monterey and Merced. It provides egg marketing services in both northern and southern California. It provided services to members from 4 feed mills, 1 agency, 12 association operated egg processing-distribution plants, and 13 member-operated ranch egg processing plants.

Membership in this association is open to any agricultural producer or cooperative association of producers who will use Pacific Growers' services for over \$1,000 per year. A membership fee of \$10 must be paid; a marketing agreement is not a condition of membership. Each member has one vote by reason of membership and one additional vote if he is a signator to a marketing agreement. On December 31, 1965, it had 1,992 members, all of whom were farmers.

The association has 12 directors. Ten are agricultural producers representing dairy, turkey, and poultry industries. They are elected for staggered terms of 3 years. The other two are public directors appointed by the board of directors.

Under the marketing agreements, the member agrees to market through the association all the eggs he produces other than those sold to hatcheries or retained for home or farm use. This agreement provides that eggs be pooled and that members receive weekly advance payments for eggs based upon volume, quality, and grade delivered to the association during the preceeding week. The agreement requires: (1) a 90-day termination notice after a 1-year term; (2) an estimate of the number of cases per week the members agrees to ship and the association agrees to market; (3) keeping the product up to certain grade specifications; (4) and permission from the association to expand production.

Pacific Growers has the following affiliates: (1) Sierra Foods, Inc.; (2) Producers and Retailers Cooperative (PARCO) which is an

egg marketing cooperative operating in northern and central California; (3) and Pacific Growers Federal Credit Union which is owned by employees and members.

Feed is the principal type of supply (table 81). In 1964, Pacific Growers sold 370,690 tons of feed, with about 94 percent of it in bulk. In 1965, it sold 306,890 tons, about 96 percent in bulk.

In addition to feeds and feedstuffs, members may order farm supplies through the association. The principal supply items provided to members now consist primarily of animal drugs, vaccines, insecticides, and other specialized supplies for poultry and dairy operations.

Pacific Growers has two types of egg marketing services.

1. Through its 25 association- and member-operated egg-processing/distribution plants, it markets eggs for its members. In 1964, sales of this type were 2,112,422 cases with a value of \$24,069,446. In 1965 sales were 2,226,143 cases with a value of \$23,849,644.
2. Through its affiliate--Producers and Retailers Cooperative (PARCO)--Pacific Growers markets eggs to those retail stores who are members of PARCO. Twenty-five percent of PARCO's capital is held by Pacific Growers. One-half

Table 81.--Retail sales of Pacific Growers during years ended December 31, 1964, and 1965

Commodities	1964	1965
Feed	\$26,184,633	\$20,405,729
Petroleum products	1,156,459	735,104
Farm supplies and equipment ¹	396,996	192,540
Total	27,738,088	21,333,373

¹ Includes building materials, poultry equipment, pesticides, and miscellaneous supplies.

of PARCO's board of directors are composed of directors representing the producers (Pacific Growers) and one-half represent the retail stores. Pacific Growers furnishes 95 percent of the eggs which PARCO markets to its retail stores. The retail stores purchase the eggs from PARCO on a competitive wholesale price. At the close of each year, the net margins of PARCO are split evenly between the producers (Pacific Growers) and the retailers. Sales in 1964 through PARCO totaled 343,629 cases amounting to \$4,014,959. Volume in 1965 was 285,316 cases amounting to \$3,056,145.

Net margins of Pacific Growers for the year ending December 31, 1964, totaled \$127,889 of which \$9,617 were from egg marketing and \$118,272 were from feed-supply operations (table 82). In the year ending December 31, 1965, net margins were \$263,573 of which \$44,831 were from egg marketing and \$218,742 were from feed-supply activities.

Tables 83-85 show the financial condition, net worth items, and value of facilities of Pacific Growers.

The membership capital of Pacific Growers consists of the following: (1) Membership fees at \$10 each; (2) capital fund credits (certificated) representing net margins from

Table 82.--Distribution of net margins by Pacific Growers in 1964 and 1965

Distribution of net margins ¹	1964	1965
Patronage refunds in cash	\$29,931	\$56,458
Capital fund certificates	86,775	198,370
Fractional equities--undistributed	11,183	8,745
Total	127,889	263,573

¹ There were no deferred payments on eggs credited to the egg revolving fund and the egg reserve for contingencies.

Table 83.--Condensed balance sheet of Pacific Growers as of December 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$10,975,029	\$10,054,164
Fixed (net)	6,996,959	4,540,734
Other	6,495,692	5,207,147
Total	24,467,680	19,802,045
Liabilities and net worth:		
Current liabilities	11,459,634	9,627,471
Long-term liabilities	9,779,712	8,220,484
Net worth	3,228,334	1,954,090
Total	24,467,680	19,802,045

Table 84.--Net worth or member and patrons' equities of Pacific Growers on December 31, 1965

Item	Amount
Certificate holders' equity	
Membership fees	\$19,920
Capital fund credits	14,209,011
Undistributed proceeds (to be certificated)	219,805
Subtotal	14,448,736
Less tentative reduction resulting from potential credit and pre-consolidation losses	12,494,646
Total	1,954,090

Table 85.--Value of principal facilities (buildings and equipment, by plants) owned by Pacific Growers, December 31, 1965

Facilities	Number	Cost	Depreciated value
Land	--	\$320,851	\$320,851
Feed mills	4	3,094,526	2,496,095
Egg processing-distribution plants and offices	12	1,023,186	865,484
Autos and trucks	--	1,384,892	858,304
Total	--	5,823,455	4,540,734

egg marketing and feed-supply operations; (3) exchange certificates which were issued for equities of Nulaid and Hayward members at the time of consolidation; and (4) undistributed net margins.

On December 31, 1965, the association had 495 employees. Of these, 75 were in administrative and central office work; 231 were primarily in egg processing, handling, and trucking; 154 were primarily in feed milling and trucking; and 35 were in miscellaneous activities.

Farm Bureau Services, Inc.

Farm Bureau Services, Inc., with headquarters at Lansing, Mich., was organized on October 25, 1929, to provide a cooperative wholesale supply service for farmer cooperatives in Michigan.

At the end of its 1965 fiscal year, this cooperative had 100 member associations with about 50,000 members, of which about 90 percent were farmers. It also served 136 non-member associations (patronage agreement

dealers) which had about 10,000 members, of which about 90 percent were farmers; 58 private dealer outlets with about 2,000 farmer-patrons; and 28 FBS branch retail outlets with about 10,000 farmer-patrons. FBS managed 20 of the member associations under management contracts and business service agreements.

Farm Bureau Services, Inc., is both a federated and a centralized cooperative. Local farmer cooperatives may become members by acquiring 100 shares of Class A common stock, which has a par value of \$1 a share, and agreeing to comply with the bylaws. Each share carries one vote. Michigan Farm Bureau Federation holds a majority of the outstanding shares. Membership in the local cooperatives is not limited to Farm Bureau members.

Individual farmers who are served primarily by retail branches or dealer-agents of FBS may become members of it by acquiring one share of common stock at \$1 par value or signing a membership agreement if annual purchases of supplies exceed \$200. This stock also has voting rights. There were approximately 16,350 of these members at the end of the 1965 fiscal year.

The board of 13 directors of Farm Bureau Services, Inc., is made up of 7 members of the Michigan Farm Bureau board and 6 members elected from the State at large by local member cooperatives. Term of office is 1 year.

The association performs both wholesale and retail supply services and markets farm products. On November 1, 1962, Michigan Elevator Exchange, a grain and bean marketing cooperative, became a division of Farm Bureau Services. More than 90 percent of their members were also members of Farm Bureau Services. Those who were not could obtain membership by purchasing 100 shares of common stock or by signing a patronage agreement if they were not eligible to hold common stock.

The regional's wholesale division distributed supplies to local cooperatives, dealer agents, FBS retail branches, and other firms during the fiscal years ended June 30, 1964 and 1965, as shown in table 86.

Table 86.--Wholesale value of commodities sold by FBS in fiscal 1964 and 1965 ¹

Commodities	1964	1965
Feed	\$6,454,832	\$6,460,552
Fertilizer	6,245,806	7,014,382
Seed	1,408,701	1,181,178
General farm supplies ²	4,011,145	3,892,114
Total	18,120,484	18,548,226

¹ Petroleum products, tires, batteries, and accessories are handled by a separate regional association--Farmers Petroleum Cooperative, Lansing, Mich. Its membership consists of about 40 local cooperatives and over 5,000 individual farmers. Its annual wholesale business is about \$8 million and its retail volume is near \$3 million. Net savings have been about \$350,000 a year.

² Includes steel products, lumber, paint and other maintenance equipment.

Sales in fiscal 1964 included 72,065 tons of feed and 104,419 tons of fertilizer. Sales in fiscal 1965 included 77,206 tons of feed and 97,433 tons of fertilizer.

Retail sales of supplies by FBS's own retail stores amounted to \$7,612,042 in fiscal 1964, and \$8,653,987 in fiscal 1965. After eliminating transfers from wholesale to retail, total net supply sales of FBS were \$21,072,760 in fiscal 1964, and \$20,638,719 in 1965.⁶

Table 87 shows the value of the products marketed by FBS (sales after eliminating intracompany transfers). Sales of grain and beans by FBS's own retail stores and elevators totaled \$4,545,234 in fiscal 1964, and \$5,152,612 in fiscal 1965.

Total net margins, after Federal income taxes, available to patrons from all operations, and their distribution are shown in table 88. Approximately 95 percent of the net margins

Table 87.--Sales of farm products and related service revenue of FBS in 1964 and 1965

Commodities and services	1964	1965
Grain	\$29,604,017	\$27,938,966
Beans	6,769,674	8,598,938
Flour	1,259,620	3,919,396
Eggs	2,371,737	2,511,440
Poultry (pullets)	244,721	334,051
Cob processing	65,849	224,573
Total	40,315,618	43,527,364

Table 88.--Distribution of net margins of FBS in fiscal 1964 and 1965

Distribution of net margins	1964	1965
Cash dividends on capital stock	\$91,310	(¹)
Patronage refunds:		
Payable in cash	51,693	--
Payable in capital stock or other securities	192,213	--
Additions to reserve for operating capital	38,572	² -\$175,080
Total	373,788	² -175,080

¹ Dividends of \$72,580 on preferred stock were paid from reserve for operating capital.

² Net loss on operations after paying about \$340,000 of interest on debentures and before recoverable Federal taxes on income.

⁶In reports of earlier years, wholesale sales formerly shown as "branch volume" were excluded.

in fiscal 1964 were derived from supply operations, and the remaining 5 percent was realized from marketing operations. A net loss occurred in 1965.

In fiscal 1964 and 1965 the association did not retire any stock or certificates originally issued in payment of patronage refunds. The association has retired all such stock or certificates through 1948 under its revolving capital plan.

Total net margins, after Federal income taxes, since organizing in 1929 have been \$6,382,581. Of this amount, the association has paid \$871,436 as cash dividends on capital stock; \$95,189 as cash patronage refunds; \$5,323,319 as patronage refunds in the form of capital stock and debentures, and retained the remaining \$379,812 in general reserves.

The association has retired a total of \$1,596,349 of capital stock and debentures under its revolving capital plan of financing since organization.

The financial condition, net worth items, and facilities of Farm Bureau Services, Inc., are shown in tables 89-91.

Farm Bureau Services also had \$1,715,199 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

At the end of its fiscal year on June 30, 1965, Farm Bureau Services, Inc., had 613 employees. Of these, 84 were engaged in general administrative work; 85 in manufacturing and processing; 71 in wholesaling, including warehousing and transportation; 219 in retailing; 115 in grain and bean marketing; and 39 in egg marketing. Another 79 employees handled contractual services for the affiliated Michigan Farm Bureau.

Table 89.--Condensed balance sheet of FBS,
August 31, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$9,382,939	\$12,062,614
Fixed (net)	9,208,879	10,171,458
Other	1,606,306	1,715,199
Total	20,198,124	23,949,271
Liabilities and net worth:		
Current liabilities	4,067,202	6,908,768
Other liabilities	3,503,400	3,993,450
Debentures (15 year)	6,080,496	6,623,495
Capital stock and patrons' equities	6,547,026	6,423,558
Total	20,198,124	23,949,271

Table 90.--Capital stock and patrons' equities of FBS
on June 30, 1965

Item	Amount
Capital stock and credits:	
Class A common	\$91,870
Class A preferred	1,453,410
Class AAA preferred	853,020
Class B preferred	1,097,220
Fractional share credits	217,018
Patrons' equities:	
Allocated patronage refunds	2,303,099
Reserve for operating capital	379,812
Contributed capital	28,109
Total	6,423,558

Table 91.--Value of principal operating facilities (buildings and equipment, by plants), owned by FBS on June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Wholesale (including land):			
Office equipment.....	1	\$386,543	\$139,578
Wholesale farm supply warehouses.....	3	254,309	154,077
Feed mills.....	--	505,463	485,905
Seed-cleaning plant and warehouses.....	1	301,861	177,019
Trucks, trailers, and trailer-tractor units.....	17	200,971	76,381
Fertilizer manufacturing plants.....	2	2,776,026	1,068,330
Fertilizer warehouses.....	2	67,724	53,941
Fertilizer dry blend plant.....	1	79,419	73,990
Total.....	--	4,572,316	2,229,221
Regional marketing (including land):			
Bean processing plant.....	1	159,560	136,507
Grain terminal elevators.....	3	4,998,116	4,607,770
Grain plant and cob processing.....	1	373,225	349,798
Egg plants.....	2	280,363	219,827
Egg pickup and delivery trucks.....	2	64,554	35,547
Flour mill.....	1	468,767	443,082
Total.....	--	6,344,585	5,792,531
Retail:			
Retail farm supply branches.....	28	2,837,023	1,764,578
Portable feed mixing units.....	--	159,820	56,423
Retail gasoline station and garage (leased).....	--	119,701	63,541
General delivery trucks.....	--	647,497	265,164
Total.....	--	3,764,041	2,149,706
Grand total.....	--	14,680,942	10,171,458

Farmers Union State Exchange

(Became The Farmers Regional Cooperative on Oct. 1, 1965)⁷

Farmers Union State Exchange, with headquarters at Omaha, Nebr., was organized in 1914. On September 30, 1965, it was serving 347 member associations with approximately 150,000 members, 80 percent of them farmers. Only one member cooperative was under a management and financing agreement with the Exchange.

Membership in the State Exchange was obtained by acquiring a \$12.50 share of common stock and agreeing to comply with the provisions of the bylaws. Each member had only one vote. The Exchange had seven directors elected at large for staggered terms of 3 years. The Exchange was organized independently of the Nebraska Farmers Union, but worked closely with that organization, and, in turn, its members accounted for a large portion of the sales of State Exchange merchandise.

The Exchange had one wholly owned subsidiary--The Statex Finance Company--which financed merchandise and equipment the Exchange sold. It made loans of \$395,000 in 1964 and \$370,000 in 1965. The Exchange also had a 50-percent interest in Fel-tex, Inc., which operates a nitrogen plant at Fremont, Nebr. The Farmers Elevator Service Company owned the other 50 percent.

The Exchange distributed about \$11 million of supplies at wholesale during both fiscal 1964 and 1965 and net margins were between \$500,000 and \$600,000 each year (tables 92 and 93).

During the 1963-64 fiscal year, patronage dividend notes and debentures amounting to \$68,000, originally issued in payment of patronage refunds, were retired in cash. The amounts retired in fiscal year 1964-65 totaled

⁷Stockholders voted to merge with Farmers Elevator Service Company, Inc., Fort Dodge, Iowa, On October 1, 1965, under the name of The Farmers Regional Cooperative with home offices at Fort Dodge, Iowa. This report covers the fiscal 1964 and 1965 operations of each. See p. 42 for discussion of Farmers Elevator Service Company, Inc.

Table 92.--Wholesale value of supplies sold by FUSE during fiscal years ended September 30, 1964 and 1965

Commodities	1964	1965
Seed	\$87,840	\$70,762
Fertilizer	2,556,067	2,514,500
Pesticides	346,939	557,456
Gasoline, oil, and grease	6,189,824	6,416,626
Tires, tubes, and accessories	591,569	630,079
Farm machinery, equipment, fencing, hardware, and twine	341,630	328,915
Paint, roofing, and other supplies	1,097,140	1,000,392
Total	11,211,009	11,518,730

Table 93.--Net margins and their distribution by FUSE in fiscal 1964 and 1965

Distribution of net margins	1964	1965
Cash dividends on capital stock	\$2,485	\$15,755
General reserves (allocated)	--	43,648
Allowances for income taxes and surplus	3,726	5,396
Patronage refunds in cash	96,531	109,120
Patronage refunds issued in common stock	386,123	392,832
Other	31,392	52,649
Total	520,257	619,400

\$126,000. Retirement of these member equities is not on a definite revolving schedule, but entirely at the discretion of the board of directors as cash becomes available.

The financial condition, net worth items, and number and value of facilities of FUSE are shown in tables 94-96.

Table 94.--Condensed balance sheet of FUSE on September 30, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$1,810,992	\$2,088,894
Fixed (net)	475,922	453,588
Other	3,431,016	4,085,675
Total	5,717,930	6,628,157
Liabilities and net worth:		
Current liabilities	519,673	724,399
Other liabilities	970,956	945,706
Net worth or member and patron equities	4,227,301	4,958,052
Total	5,717,930	6,628,157

Table 95.--Net worth or member and patron equities of FUSE on September 30, 1965

Item	Amount
Capital stock--common	\$2,601,688
Capital stock--preferred	528,913
Capital stock credits	45,075
General surplus	87,122
Allocated general reserves	1,695,254
Total	4,958,052

The Exchange also had \$2,958,160 invested in federations of regional cooperatives that operated various manufacturing and wholesaling facilities.

At the close of the 1965 fiscal year, the Exchange had 120 employees. Of these, approximately 59 were engaged in general and

Table 96.--Value of principal facilities (buildings and equipment, by plants) owned by FUSE on September 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Fertilizer bulk blending plants	5	\$203,545	\$159,994
Office building and warehouse	1	327,360	141,660
Lubricating oil compounding plant	1	179,500	15,000
Transport trucks and general delivery trucks	10	217,455	87,708
Truck garages	2	15,686	2,610
Other	--	97,072	46,616
Total	--	1,040,618	453,588

administrative work, 25 were in manufacturing or processing operations, and 36 were in wholesale distribution, including warehousing and transportation.

Southern Farmers Association

Southern Farmers Association, referred to as SFA, with headquarters in North Little Rock, Ark., was organized in 1945. As of June 30, 1965, SFA served 43 local member associations which operated 49 retail outlets and 25 nonmember local cooperatives. These outlets served about 30,000 members which were about 85 percent farmers. None of the member cooperatives were under management or supervision agreements with SFA.

Membership in SFA is limited to local cooperatives and is obtained by purchasing a \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only one vote.

SFA has 12 directors. Of these, 10, or two from each of five districts, are elected for staggered terms of 3 years. In addition, one director is elected for a term of 1 year from the district purchasing the largest dollar volume from SFA during the preceding year, and one director is elected for 1 year who shall be the president of the managers' association. SFA was first organized as the Arkansas Farm Bureau Cooperative, but is now independent of any farm organization in the State.

Supplies distributed at wholesale and net margins realized by SFA during fiscal 1964 and 1965 are shown in tables 97 and 98. Mixed feed volume was 36,950 tons in fiscal 1964 and 39,585 tons in 1965. Fertilizer volume was 17,387 tons in 1964 and 29,350 tons in 1965. Petroleum volume was 11,000,000 gallons in 1964 and 12,000,000 gallons in 1965.

The association retired, in cash or by application on receivables, certificates of equity amounting to \$114,851 in the fall of 1956 under a revolving capital plan. The balance of equities of 1952 were retired during 1965. It has now retired all such equities issued before 1953.

The financial condition, net worth items, and facilities of Southern Farmers Association are shown in tables 99-101.

Table 97.--Wholesale value of commodities sold by SFA during fiscal years ended June 30, 1964 and 1965

Commodities	1964	1965
Feed (direct and warehouse)	\$2,799,042	\$2,772,153
Seed	747,104	796,132
Insecticides	428,392	868,285
Fertilizer	1,193,020	2,079,641
Petroleum products	1,406,135	1,547,283
Tires, batteries, and accessories	770,114	839,889
General farm supplies	1,241,395	1,250,396
Total (net)	8,585,202	10,153,779

Table 98.--Net margins available to patrons and their distribution by SFA in fiscal 1964 and 1965

Distribution of net margins	1964	1965
Dividends on preferred stock	\$42,656	\$49,608
Cash patronage refunds	223,599	383,802
Patronage refunds issued in preferred stock	173,810	281,930
Additions to capital reserves	0	0
Total	440,065	715,340

Table 99.--Condensed balance sheet of SFA on June 30, 1964 and 1965

Item	1964	1965
Assets:		
Current	\$1,329,777	\$2,051,618
Fixed (net)	742,808	902,011
Other	68,931	55,927
Investment and equities in cooperatives	554,832	994,150
Total	2,696,348	4,003,706
Liabilities and net worth:		
Current liabilities	698,829	1,374,036
Other liabilities	554,756	803,450
Net worth or member and patrons' equities	1,442,763	1,826,220
Total	2,696,348	4,003,706

Table 100.--Net worth or member and patrons' equities of SFA on June 30, 1965

Item	Amount
Preferred stock	\$978,100
Common stock	4,300
Certificates of equity	273,590
Reserve for contingencies	--
Unallocated net savings for year ended 6/30/65 (after dividends on preferred stock)	570,230
Total	1,826,220

SFA also had \$947,596 of investments and patrons' equities in regional cooperatives and federations of regionals that were operating various manufacturing facilities. This did not include stock in the bank for cooperatives.

Table 101.--Value of principal facilities (buildings and equipment, by plants) owned by SFA on June 30, 1965

Facilities	Number of plants or units	Cost	Book value
Land	--	\$40,960	\$40,960
Farm supply warehouse and equipment, office, and seed plant (building and equipment)	2	575,821	(¹)
Feed mill	1	615,367	(¹)
Automobiles and trucks	--	64,737	(¹)
Total	--	1,296,885	902,011

¹ Data not provided.

On June 30, 1965, SFA had 55 employees--35 engaged in general and administrative activities, 16 in wholesale distribution including warehousing, and 4 in seed processing and warehousing.

PART II

Supply Business and Facilities of Two Major Regional Marketing Cooperatives

Two primarily regional marketing associations reported their volume of production supply and equipment business, net margins realized on these operations, and supply facilities in 1964 and 1965. Both are of the federated type and distribute farm supplies at wholesale to local member associations. One also distributes some supplies at retail.

The Cotton Producers Association

The Cotton Producers Association (CPA), with headquarters in Atlanta, Ga., began handling farm production supplies in 1941. At the end of its 1965 fiscal year, it was providing supplies to about 150,000 farmers in Georgia, Alabama, northern Florida, and a small portion of southeastern Tennessee through 55 affiliated local cooperatives (mutual exchanges), 15 independent cooperatives, 20 franchised private dealers, and 31 CPA wholly-owned retail branches or agencies.

CPA's membership consisted of 80,000 individual farmers and 70 exchanges and other farmer cooperatives on June 30, 1965. A farmer or cooperative properly qualified under the by-laws may become a member and receive a certificate of membership. No membership fee is required. If a member ceases to patronize the association for 3 years, he is placed on the inactive list. Each member has only one vote.

CPA has 16 directors elected on a district basis for staggered terms of 3 years. Table 102 shows the value of farm production supplies

Table 102.--Wholesale value of commodities sold by CPA during fiscal years ended June 30, 1964 and 1965

Commodities	1964	1965
Feed	\$29,009,481	\$33,084,355
Fertilizer	9,120,518	10,093,310
Seed	1,662,501	1,539,410
General farm supplies	3,721,375	4,940,307
Pesticides	1,523,184	1,677,027
Chicks	5,763,689	6,952,098
Total	50,800,748	58,286,507

distributed at wholesale during fiscal 1964 and 1965. The volume of feed sold was 340,112 tons in fiscal 1964 and 403,778 tons in 1965. Fertilizer volume was 193,035 tons in 1964, and 211,384 tons in 1965.

Supply sales at retail by CPA branches totaled \$4,354,607 in fiscal 1964 and \$5,380,685 in 1965. Dollar volume of the 55 CPA affiliated exchanges in fiscal 1965 was \$57,044,025 of which \$27,084,246 was supplies and \$41,924,190 was broiler production volume. For fiscal 1965 their total business was \$69,008,436 of which \$32,754,779 was supplies and \$49,496,497 was broiler production.

Net margins on CPA's wholesale and retail production supply operations amounted to \$2,262,922 in 1964, and to \$3,863,734 in 1965. Table 103 shows principal farm production supply facilities of the association.

Table 103.--Value of principal farm production supply facilities (buildings and equipment, by plants) owned by CPA on June 30, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Land	--	\$383,733	\$352,140
Feed mills	3	3,639,953	2,724,094
Seed plants	1	88,811	12,994
Fertilizer plants	4	2,956,872	1,947,897
Insecticide plants	1	124,277	92,171
Supply warehouses	2	228,481	138,464
Hatcheries	6	1,190,155	890,453
Autos and trucks	50	275,358	137,069
Stores and home office equipment	--	751,538	413,458
Total	--	9,639,178	6,708,740

Land O'Lakes Creameries, Inc.

Land O'Lakes Creameries, Inc., with headquarters in Minneapolis, Minn., was organized in 1921. It serves farmers in Minnesota, Wisconsin, North Dakota, and South Dakota. Land O'Lakes is a federated organization owned by 850 local member dairy marketing associations, which in turn have approximately 80,000 members, of which about 99 percent are farmers; and by 4,599 individual farmer-members. It also provides supplies through 87 private dealer-agents and 6 Land O'Lakes owned retail outlets.

Class A common stock with a par value of \$25 a share may be held only by cooperatives who execute marketing agreements with Land O'Lakes for marketing substantially all of their dairy products through the association. The holder has one vote plus additional votes equal to the number of its own eligible voting members.

Class B common stock, with a par value of \$1 a share, may be held by individual farmers and farmer cooperatives who do any type of business with the association. Each holder has one vote. In addition, every cooperative holding common stock in Land O'Lakes (regardless of class) has the right to cast additional votes measured by the volume of business it transacted with Land O'Lakes in the previous year.

Land O'Lakes has 22 directors elected for terms of 3 years. One director is appointed by the Minnesota Commissioner of Agriculture, Dairy, and Food. Two directors were "association directors" in 1965. A corporate stockholder having more than 2,500 bona fide stockholders, or whose stockholders are composed of 15 or more cooperatives, is entitled to have one person on the Land O'Lakes board, nominated by such stockholder. The remaining 19 directors are "district directors" elected by geographical districts. The number of such districts is determined by the stockholders at the annual stockholders meeting.

The value of farm production supplies, poult, and equipment distributed at wholesale 1964 and 1965 is shown in table 104. These

Table 104.--Wholesale value of commodities sold by Land O'Lakes during years ended December 31, 1964 and 1965

Commodities	1964	1965
Feed	\$15,565,300	\$16,028,000
Fertilizer	3,467,600	3,931,100
Seed	1,125,700	1,221,400
Pesticides	487,000	374,500
General farm supplies	139,700	333,400
Poult	879,600	857,000
Subtotal	21,664,900	22,745,400
Equipment (mostly dairy plant; some dairy, poultry, and other farm items)	6,429,400	5,927,400
Total	28,094,300	28,672,800

sales includes 157,463 tons of feed and 58,807 tons of fertilizer in 1964; and 151,350 tons of feed and 66,801 tons of fertilizer in 1965.

Retail sales by Land O'Lakes branch outlets totaled \$1,413,700 in 1964, and \$611,000 in 1965.

Feed, seed, fertilizer, pesticides, poults, and general farm supplies are handled by the Agricultural Services Division. It realized net margins (after direct and indirect expenses) of \$1,219,900 in 1964, and \$1,150,800 in 1965.

Plant and farm equipment is handled by the Equipment Sales Division. It realized net margins of \$194,024 in 1964, and \$187,100 in 1965. Table 105 shows farm production supply facilities of the association.

Table 105.--Value of principal farm production supply facilities (buildings and equipment, by plants) owned by Land O'Lakes on December 31, 1965

Facilities	Number of plants or units	Cost	Depreciated value
Land	--	\$156,900	\$156,900
Feed mill	2	2,684,700	1,399,100
Seed plant	2	94,700	32,100
Fertilizer plant	6	1,192,200	284,600
Supply warehouse	1	280,200	60,700
Experimental farm	1	150,100	19,800
Other supply facilities	2	160,262	117,315
Total	--	4,719,062	2,070,515

PART III

Summary of 19 Major Regional Cooperatives

This section summarizes and totals the detailed information on the supply operations of the 19 regionals described in detail in this report.

Years Organized

Table 106.--Date of organization of 19 major regional cooperatives handling supplies

Year organized	Number of associations organized	Year organized	Number of associations organized
1914	1	1931	1
1916	1	1933	2
1917	1	1934	2
1923	1	1945	2
1926	2	1964	¹ 1
1927	2		
1929	3	Total	19

¹ Represents 2 merged cooperatives originally organized in 1918 and 1920.

Type and Number of Retail Outlets

Table 107.--Type and number of retail supply outlets served by 19 major regional cooperatives in 1965

Type of retail outlet	Number
Local member cooperatives:	
Not managed or supervised by regionals	4,200
Managed or supervised by regionals	439
Local nonmember cooperatives	1,281
Local subsidiary service stores and branches of regionals	809
Independent service agencies or dealer-agents ¹	998
Total	7,727

¹ "Independent service agencies or dealer-agents" are independent private concerns that perform a distributing service for the regional cooperatives in accordance with mutually agreeable policies. These plans include provisions for passing on to their farmer patrons the wholesale patronage refunds distributed by the regionals.

Number of Patrons Served

The 19 regional cooperatives served directly or through affiliated local cooperatives approximately 2,983,258 members during their fiscal year ended in 1965. Of these, 2,694,703, or 90.3 percent, were farmers and 288,555, or 9.7 percent, were nonfarmers.

Financial Requirements for Membership

Table 108.--Financial requirements for membership in 19 major regional cooperatives in 1965

Requirements	Number of associations
Membership fee:	
\$1 for membership publication--by farmer the first year	1
\$10 membership and do \$1,000 or more business per year, by farmer or cooperative	1
Capital stock:	
1 no-par-value share by local cooperative	1
\$1 share by farmer or local cooperative	2
\$1 share or sign agreement to buy \$200 or more of supplies per year--by farmer; one no-par share--by local cooperative	1
\$12.50 share by local cooperative	1
\$25 share by local cooperative	5
\$100 share by local cooperative	4
\$1,000 share by local cooperative	1
10 \$100 shares plus 20 percent of annual net margins declared to farmer or cooperative; maximum of 500 shares	1
Patronage:	
Patronize the cooperative, provided patron is a farmer or farmer cooperative	1
Total	19

Voting Provisions

Table 109.--Voting provisions of 19 regional cooperatives in 1965

Provisions: One vote per--	Number of associations
Member cooperative or member farmer.....	13
Share of stock carrying voting privileges	3
Member cooperative for each of its farmer members or stockholders.....	1
Member association plus additional votes based on volume	1
Member farmer or local cooperative plus one vote if he has signed a marketing agreement	1
Total	19

Number, Selection, and Terms of Directors

Table 110.--Number of directors and method of selection in 19 regional cooperatives in 1965

Method of election or selection				Number of associations reporting
Elected directly by members	Appointed, nominated or elected by a general farm organization	Appointed public directors by board of directors, or by public agencies	Total number of directors	
<u>Number of directors</u>				
0	26	0	26	1
6	6	0	12	1
7	0	0	7	1
7	0	1	8	1
7	6	0	13	1
8	0	0	8	1
10	0	1	11	1
10	0	2	12	1
10	0	5	15	1
10	3	0	13	1
11	0	0	11	1
11	3	1	15	1
12	0	0	12	1
13	3	0	16	1
15	0	0	15	1
16	0	0	16	1
18	16	0	34	1
22	0	0	22	1
33	0	0	33	1
226	63	10	299	19

Note: Members elected all their directors in 18 associations in 1965; 1 reported all elected by a general farm organization. Seven of the 19 associations also had some directors appointed, nominated, or elected by general farm organizations, and 5 of the 19 also had some public directors appointed by the board or by public agencies.

In 1965, 15 associations elected directors for 3-year terms; 2 elected them for 2-year terms; and 2 elected them for 1-year terms. Three associations appointed some of the directors for 3 years; and 2 appointed some for 1-year terms.

Number and Type of Employees

Table 111.--Number and type of employees in 19 regional cooperatives in 1965

Type of activity	Total number	Percent of total
Administrative.	5,053	23.9
Manufacturing and processing.	6,451	30.5
Wholesale distribution (including warehousing and transportation)	3,891	18.4
Retail distribution	2,974	14.1
Marketing farm products	2,228	10.6
Activity not classified.	521	2.5
Total.	21,118	100.0

Fiscal Year Endings

The number of regionals closing their fiscal years on the following specified dates in 1965 was as follows:

Date	Number of associations
June 30	7
July 31 .	1
August 31	3
September 30	2
December 31	6
Total	19

Note: Dollar volume of supplies of the 7 regionals closing their fiscal year during the first half of 1965 accounted for 39 percent of the total for all associations. Volume of the remaining 12 accounted for 61 percent of the total.

Sales of Supplies, by Types

Table 112.--Supplies distributed by 19 major regional cooperatives during fiscal years ending in 1964 and 1965

Commodity group	1964		1965		Percentage change in sales	Number reporting in 1965
	Amount	Percentage of total	Amount	Percentage of total		
	\$1,000	Percent	\$1,000	Percent	Percent	Percent
Feed	458,329	34.7	438,124	31.7	-4.4	17
Petroleum products	347,231	26.3	365,837	26.5	5.4	16
Fertilizer	243,788	18.4	273,182	19.8	12.1	16
Seed	40,851	3.1	38,004	2.7	-7.0	15
Subtotal	1,090,199	82.5	1,115,147	80.7	2.3	19
Building materials ¹	46,680	3.5	46,890	3.4	0.4	14
General farm equipment ² ...	30,639	2.3	33,284	2.4	8.6	12
Tires, tubes, and auto accessories	40,752	3.1	44,156	3.2	8.4	12
Steel products	14,873	1.1	14,269	1.0	-4.1	5
Pesticides and farm chemicals	37,549	2.9	45,178	3.3	20.3	14
Electrical equipment and appliances	6,830	0.5	8,305	0.6	21.6	7
Plant equipment--petroleum, fertilizer, and other	6,774	0.5	8,622	0.6	27.3	2
Twine and rope	4,530	0.4	4,926	0.4	8.7	3
Groceries	9,105	0.7	14,455	1.0	58.8	1
General supplies (coal, containers, chicks, and lawn, garden, farm, and home supplies)	33,118	2.5	47,235	3.4	42.6	13
Subtotal	230,850	17.5	267,320	19.3	15.8	19
Total	1,321,049	100.0	1,382,467	100.0	4.6	22

¹ Includes lumber, roofing (unless in steel products), and paint and fencing in some associations.

² Includes farm machinery totaling \$1,428,780 in 1964 and \$2,275,415 in 1965 for two associations.

Note: Feed, petroleum products, and fertilizer made up 79.4 percent of the total volume in 1964 and 77.9 percent in 1965. Feed predominated in the dollar volume of 11 associations, petroleum products in 6, and fertilizer in 2 (table 112 and fig. 2).

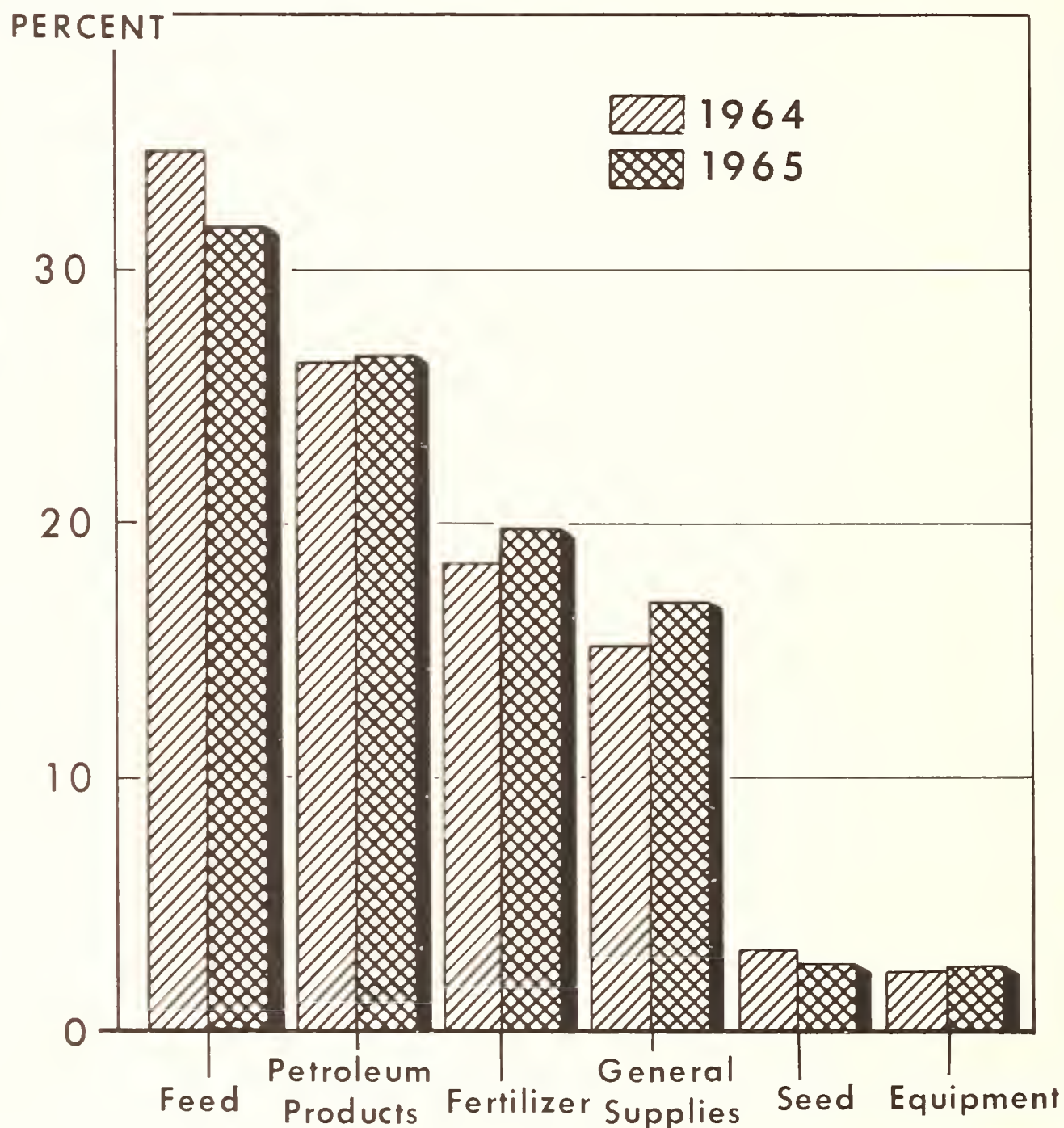
Table 112 consists of wholesale sales by 13 associations, retail sales by 2 associations, and part wholesale and part retail sales by 4 associations.

Wholesale sales by the 17 associations totaled \$1,117.5 million in 1964 and \$1,169.4 million in 1965. Retail sales by 6 of the 19 associations totaled \$227.1 million in 1964 and \$237.7 million in 1965. (Table 112 does not include retail sales totaling \$23.6 million in 1964 and \$24.7 million in 1965 by 4 of the 17 predominantly wholesale associations.)

Volume of supplies exceeded volume of farm products marketed in 18 associations and was about the same in one.

FIGURE 2

MAJOR TYPES OF SUPPLIES HANDLED BY 19 REGIONAL COOPERATIVES IN 1964 AND 1965



Farm Products Marketed

Table 113.--Sales of farm products by 11 of the 19 regional cooperatives handling supplies in 1964 and 1965

Farm product	1964	1965	Reporting in 1965
	<u>\$1,000</u>	<u>\$1,000</u>	<u>No.</u>
Grain.....	200,177	189,127	8
Beans (dry edible)	10,752	11,534	3
Seed.....	4,298	4,385	2
Fruits and vegetables ¹	23,224	33,037	2
Eggs ²	62,634	64,382	7
Poultry ³	16,586	16,426	4
Livestock and products ⁴	223	233	1
Wool	1,065	1,006	2
Other.....	1,325	4,285	2
Total	320,284	324,415	11

¹ Includes processed and canned fruit and vegetables valued at \$20,895,014 in 1964 and \$23,057,347 in 1965.

² Includes small amounts of poultry by 1 association.

³ Includes canned poultry and turkey.

⁴ In addition, a minority-owned subsidiary of 1 association sold pork products totaling \$34,350,433 in 1964 and \$53,811,922 in 1965.

Amount and Distribution of Net Margins

Table 114.--Distribution of net margins available to patrons by 19 major regional cooperatives handling supplies in fiscal years ending in 1964 and 1965¹

Type of distribution	1964	1965	Percentage increase or decrease	Number reporting in 1965
Cash dividends on capital stock and other equities	\$8,786,640	\$8,240,503	-6.2	16
Patronage refunds:				
Paid in cash	19,421,354	25,536,880	31.5	17
Paid in capital stock and other forms of equity capital (excluding allocated reserves) ²	20,240,942	25,680,830	26.9	16
Additions to capital reserves (allocated and unallocated)	6,160,307	7,216,978	17.2	15
Total	54,609,243	66,675,191	22.1	19

¹Represents net margins available to patrons after any payments of, or provisions for, Federal income taxes. Data on taxes were not requested, but seven associations showed total income taxes of \$5,799,869 in 1964 and \$5,015,793 in 1965.

²Evidenced by capital stock, certificates of equity or indebtedness, revolving fund credits, member equities, and other equity holdings. Cash payments of patronage refunds deferred in previous years under revolving capital programs totaled \$11.6 million in 1964 and \$11.4 million in 1965 (table 115). Thus net balances retained in the associations were equivalent to \$14.8 million of the deferred refunds from 1964 operations and to \$21.9 million from 1965 operations.

Note: Total net margins available to patrons were distributed in a similar manner in both 1964 and 1965 (table 114 and fig. 3). They were 3.3 percent of total sales of farm supplies and farm products in 1964 and 3.9 percent in 1965. Such net margins were equivalent to 11 percent of their yearend net worth in 1964 and to 13 percent in 1965. They were equivalent to 7.1 percent of yearend total assets in 1965.

Net margins on supplies averaged 4.6 percent of supply sales, and net margins on farm products were 1.1 percent of farm product sales in 1965.

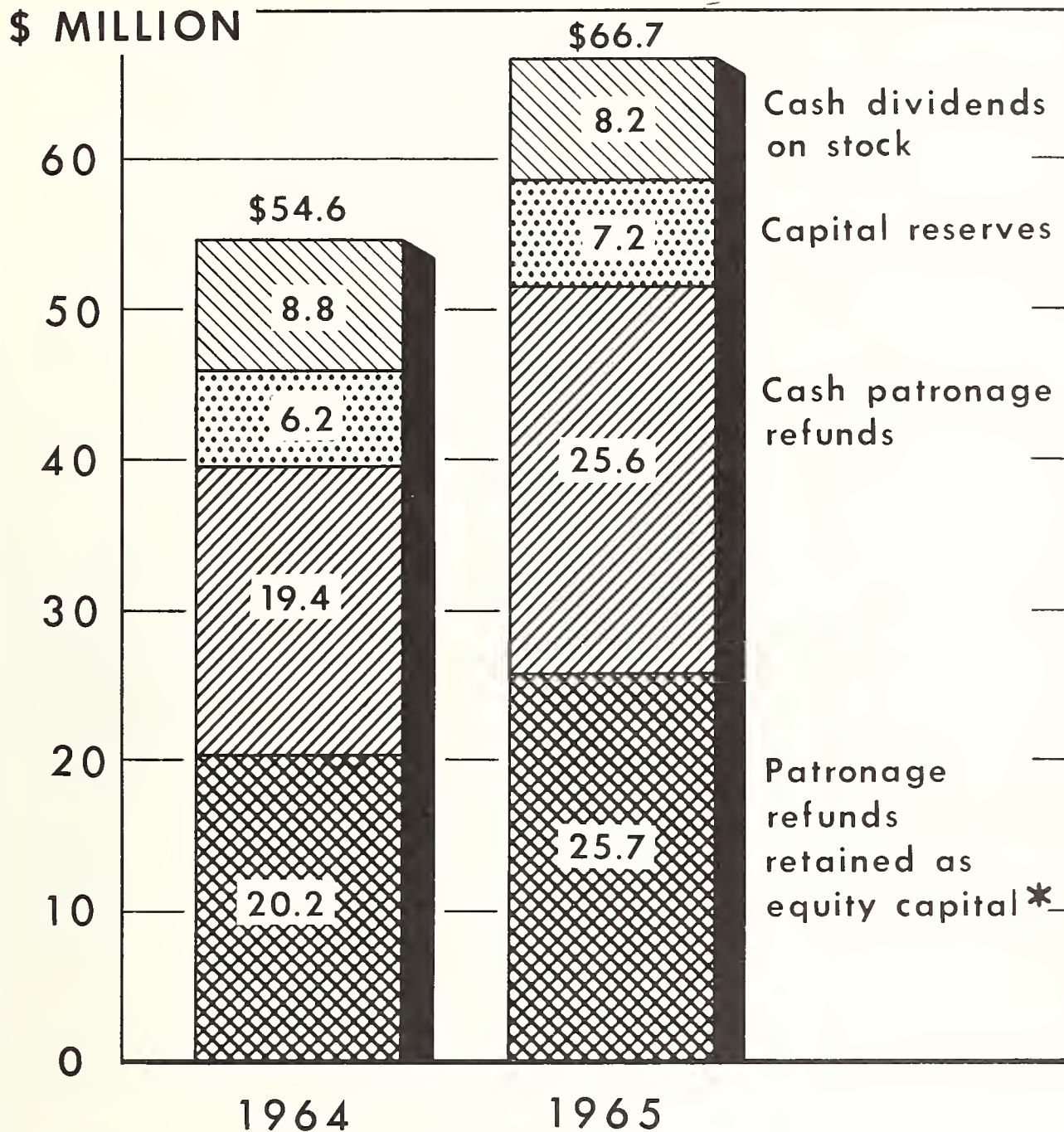
Most of the patronage refunds distributed in capital stock and other evidences of member capital represent revolving capital. The amounts of such revolving capital stock, revolving fund credits, and other equity holdings issued in prior years in payment of patronage refunds that were retired in cash in 1964 and 1965 are shown in table 115 and figure 4.

Net margins available to patrons represent margins after payment of or provisions for Federal income taxes. No attempt was made in preparing this report to obtain income tax or other tax information because any income taxes shown as paid or accrued by one cooperative cannot be used as a basis for estimating the amount of tax paid or accrued by other cooperatives. Many associations operate under a contractual obligation to distribute to all patrons all net margins above operating expenses and dividends on capital stock. The remainder have a contract with only their member-patrons to distribute net margins arising from member business. Under established legal principles, both types of contracts permit the cooperative to exclude from gross income those net margins allocated on a patronage basis and distributed in cash or in various forms of patrons' equities within prescribed time limits and other requirements.

This right of exclusion applies equally to farmer cooperatives qualifying for exemption under the Internal Revenue Code and also to those that are nonexempt. Qualifying "exempt" associations are permitted to also deduct dividends on capital stock and certain extraneous income in determining their Federal income tax position. Both groups of cooperatives are subject to essentially all other taxes paid by business enterprises.

FIGURE 3

DISTRIBUTION OF NET MARGINS AVAILABLE TO PATRONS BY 19 REGIONALS FOR 1964 AND 1965



*A TOTAL OF \$11.5 MILLION DEFERRED IN PRIOR YEARS WAS RETIRED IN CASH IN 1964 AND \$11.4 MILLION WAS RETIRED IN 1965.

Total Cash Payments of Dividends, Refunds, and Revolving Capital

Table 115.--Total cash payments of dividends on stock, patronage refunds, and revolving capital to members by 19 major regional cooperatives in fiscal years ending in 1964 and 1965

Type of cash distribution	1964		1965	
	Amount	Number reporting	Amount	Number reporting
Cash dividends paid on stock and interest on other equities (paid on current year's operation).....	\$8,786,640	17	\$8,316,503	17
Cash patronage refunds (paid on current year's operation).....	19,421,354	17	25,551,480	17
Cash retirement of revolving capital (deferred refunds, capital stock, and other revolving equities).....	11,573,571	11	11,433,045	11
Total.....	39,781,565	19	45,301,028	19

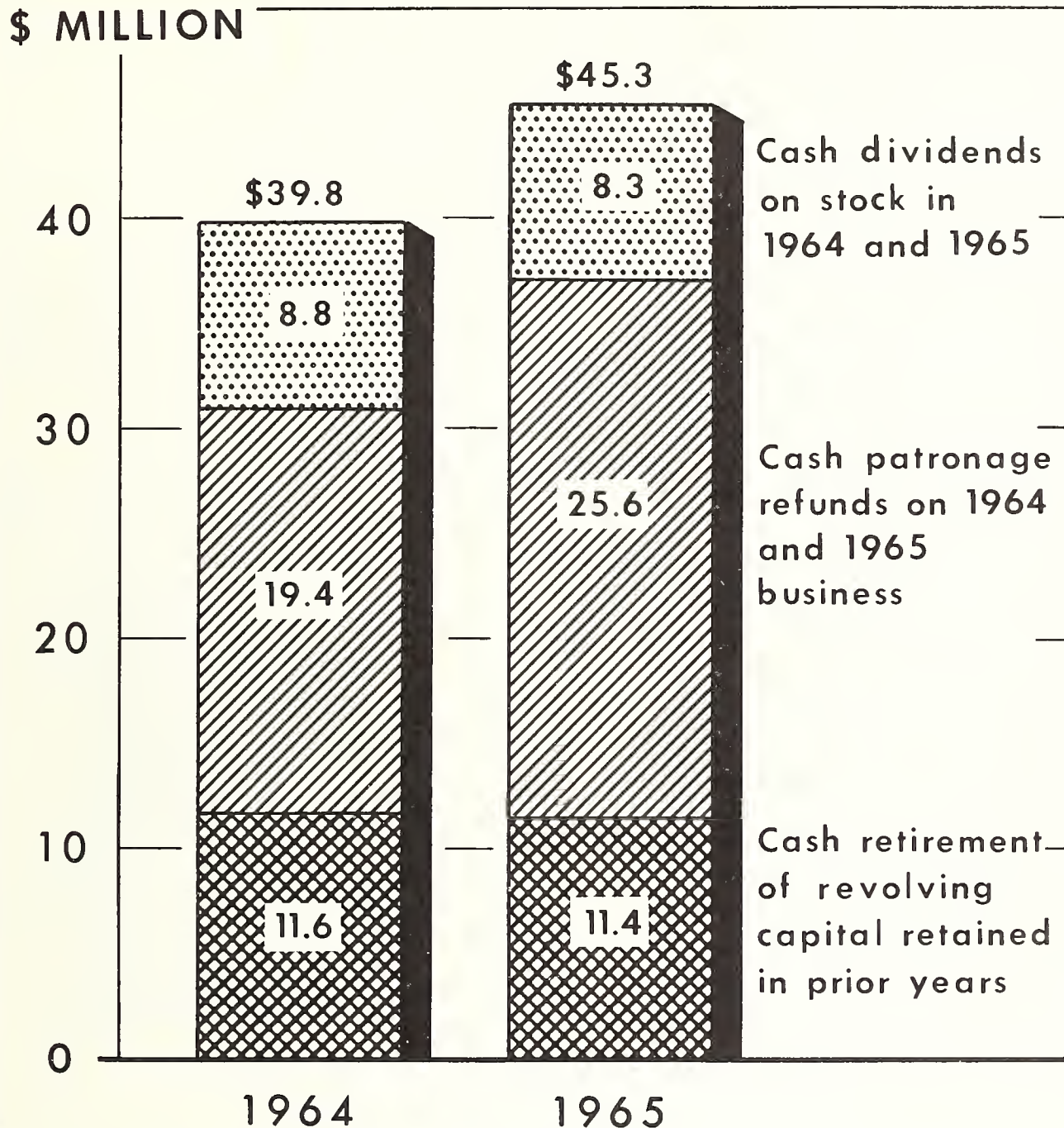
Note: Total cash payments to patrons were equivalent to approximately 73 percent and 67 percent, respectively, of the total net margins available to patrons in fiscal 1964 and 1965, respectively.

Fourteen of the associations use a revolving capital plan of financing. As of 1965, 2 were revolving their capital within a 5-year period; 5 within a 6-year to 10-year period, inclusive; 6 within a 13- to 19-year period; and 1 within no predetermined period.

Under revolving capital programs, 11 associations in 1964 and 11 in 1965 reported cash retirements of capital stock or other equities originally issued in payment of patronage refunds for previous years. Such cash retirements totaled \$11.6 million in 1964 and \$11.4 million in 1965 (table 115 and fig. 4). One other association made annual adjustments of its capital stock so that each member local would hold capital stock in proportion to its patronage with the regional.

Figure 4

CASH PAYMENTS OF DIVIDENDS, REFUNDS, AND REVOLVING CAPITAL BY 19 REGIONALS IN 1964 AND 1965*



* TOTAL CASH PAYMENTS WERE EQUIVALENT TO 73% OF NET MARGINS IN 1964 AND TO 67% OF NET MARGINS IN 1965.

Total Net Margins Since Organizing

Table 116.--Total net margins available to patrons and their distribution since date of organization for 13 of the 19 regional cooperatives, as of 1965

Distribution of net margins	Amount
Cash dividends paid on capital stock and interest on other equities	\$186,813,509
Patronage refunds (on current year's operations):	
Paid in cash	235,941,690
Paid in capital stock and other forms of equity capital (excluding capital reserves)	284,777,991
Additions to capital reserves (allocated and unallocated)	143,570,897
Total	¹ 851,104,087

¹ Four associations reported an additional 71,414,872 had been paid out as income taxes since organizing. This does not include all associations paying income taxes.

Note: Twelve of these regionals accounted for about 86 percent of the total supply volume of the 19 associations. One association did not report supply sales for 1965.

In addition to the \$423 million of cash dividends and refunds paid (table 116), substantial amounts of the patronage refunds originally converted to revolving capital have been repaid in cash to members. For example, 7 of the 16 associations with revolving funds reported they have retired \$74,046,833 of such refunds or capital since organizing. This was equal to about 43 percent of the total amounts of patronage refunds they had deferred or paid in capital stock for revolving capital purposes.

Financial Condition

Table 117.--Consolidated balance sheets of 19 major regional cooperatives at close of fiscal years ending in 1964 and 1965

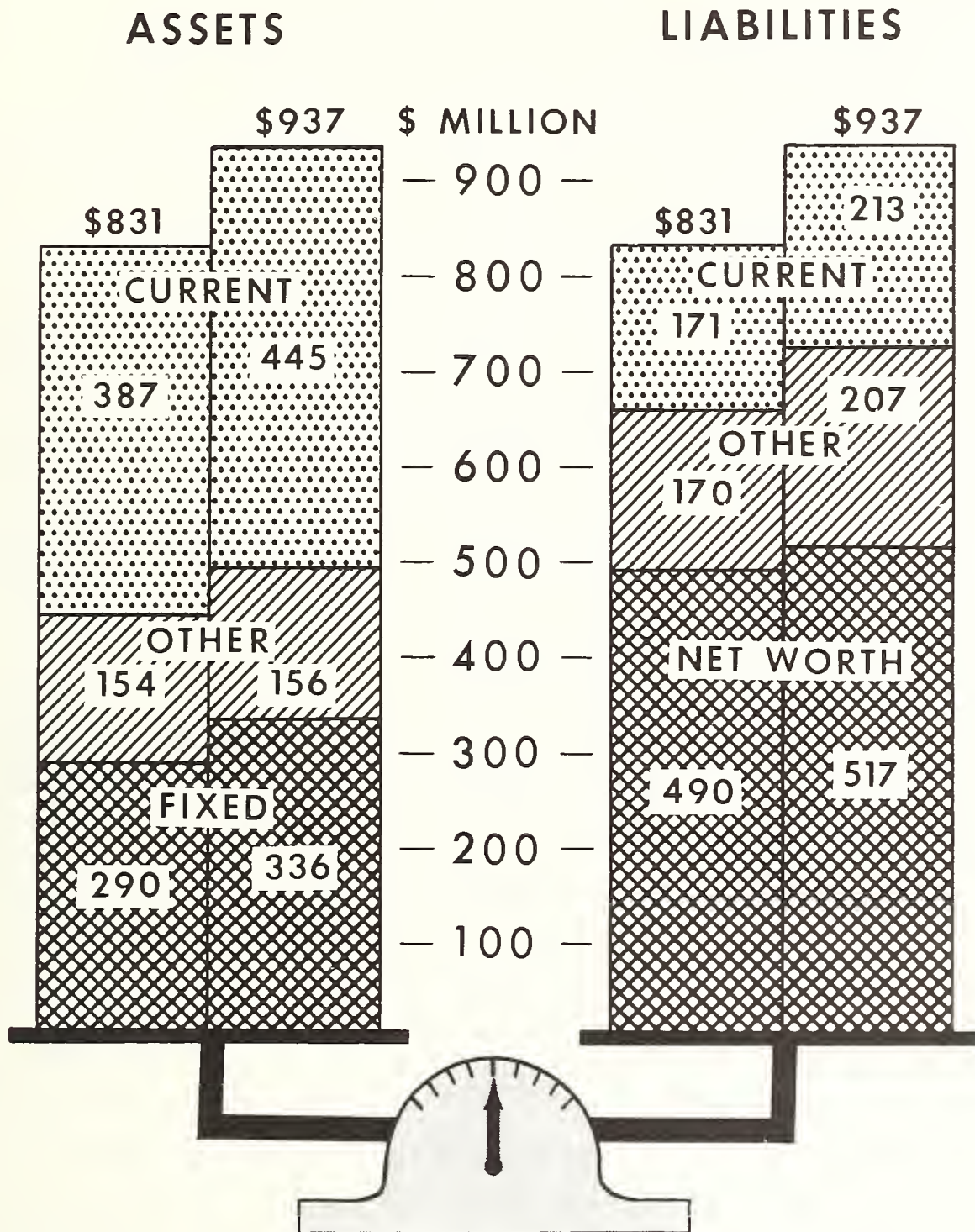
Assets, liabilities, and member equities	1964		1965		Percentage increase or decrease
	Amount	Percentage of total	Amount	Percentage of total	
	\$1,000	Percent	\$1,000	Percent	Percent
Assets:					
Current	387,272	46.6	444,525	47.5	14.8
Fixed (net)	289,556	34.8	336,117	35.9	16.1
Other	154,350	18.6	155,966	16.6	1.0
Total	831,178	100.0	936,608	100.0	12.7
Liabilities and member equities:					
Current liabilities	171,228	20.6	213,256	22.8	24.5
Other liabilities	169,899	20.4	206,375	22.0	21.5
Member equities	490,051	59.0	516,977	55.2	5.5
Total	831,178	100.0	936,608	100.0	12.7

Note: Total assets of the 19 cooperatives increased from \$831.2 million in 1964 to \$936.6 million in 1965. The composition of them were about the same both years (table 117 and fig. 5). The associations had \$2.08 of current assets for every dollar of current liabilities in 1964 compared with \$2.23 in 1964.

Members' equities increased 5.5 percent from 1964 to 1965. They represented 59 percent of total assets in 1964 and 55 percent in 1965.

Figure 5

ASSETS AND LIABILITIES OF 19 MAJOR REGIONAL COOPERATIVES, 1964 AND 1965



Net Worth or Member Equities

Table 118.--Net worth or member equity items of 19 regional associations at the close of their 1965 fiscal year

Item	Number reporting items	Amount
Membership fees	1	\$19,920
Capital stock and credits:		
Common	15	105,463,305
Preferred	15	189,459,923
Part paid (stock credits)	5	6,618,096
Preferred and common--affiliates and minority interests of other cooperatives	1	1,876,514
Patronage refunds payable in stock	8	6,068,952
Total capital stock and credits	17	309,486,790
Deferred refunds and other revolving fund equities, book credits, and certificates ¹	8	47,729,468
Member-patron equity reserves--allocated ²	14	46,188,743
General reserves or surplus (mostly unallocated) ³	13	102,839,049
Net margins and refunds for current year--undistributed	6	5,086,278
Other equities ⁴	2	632,162
Total equities other than stock	19	202,475,700
Total	19	511,982,410

¹Includes finance funds, capital fund certificates, certificates of equity or ownership, capital reserve certificates, and capital book equities.

²Includes the following allocated items: Capital reserves, general reserves, patronage credits, appropriated reserves, special permanent reserves, and contingency reserves.

³Includes retained margins, reserves for operating capital and revaluation of facilities, and special permanent reserves.

⁴Includes nonmember capital and reserve for revaluation of facilities.

Note: The regional cooperatives reported their net worth or member equities under more than 30 names or items. These were grouped into 11 types. Complete information was not obtained as to which types were allocated or unallocated to patrons and which were in a revolving capital status.

Type and Value of Principal Facilities

Table 119.--Value of principal facilities (fixed assets) of 19 major regional cooperatives at end of their 1965 fiscal year

Type of facility	Associations reporting items	Number of plants reported	Cost ¹	Depreciated value
			\$1,000	
Wholesaling and manufacturing:				
Land.....	14	--	8,562	7,228
Offices	12	--	15,975	8,163
Offices and wholesale warehouses ²	6	--	18,640	12,485
Wholesale warehouses	14	73	23,736	14,998
Subtotal	18	--	66,913	42,874
Feed mills.....	15	47	89,739	52,494
Fertilizer plants.....	13	83	121,012	75,597
Seed plants ²	8	23	5,380	3,255
Pesticides plant	1	1	140	102
Subtotal	16	--	216,271	131,448
Petroleum refineries.....	6	9	104,609	44,713
Crude-oil properties	6	--	64,460	30,543
Petroleum storage terminals....	8	27	12,670	6,932
Petroleum pipelines.....	3	--	19,158	10,425
Subtotal	10	--	200,897	92,613
Hatcheries.....	2	7	309	104
Other plants.....	8	29	6,010	4,618
Transportation equipment.....	14	--	16,137	7,204
Research, poultry breeding, and education facilities.....	5	--	3,474	2,771
Other and unclassified	11	--	14,387	8,526
Subtotal	16	--	40,317	23,223
Total wholesaling and manufacturing	21	--	524,398	290,158
Retailing.....	6	--	72,474	41,315
Regional marketing.....	8	--	34,862	23,932
Total.....	19	--	631,734	355,405

¹Total of net fixed assets does not agree with total in table 118 because data were not available from all associations, and because this table includes crude-oil properties of subsidiaries included in "other assets" in table 118.

²Does not include 1 seed plant that is included with "offices and wholesale warehouses."

Appendix

Other Major Regional Cooperatives Handling Supplies^{8/}

Mississippi Federated Cooperatives (AAL), Jackson, Miss.
Mississippi Chemical Corporation, Yazoo City, Miss.
Coastal Chemical Corporation, Yazoo City, Miss.
Missouri Farmers Association, Inc., Columbia, Mo.
MFA Oil Company, Columbia, Mo.
MFA Central Cooperative, Columbia, Mo.
Minnesota Farm Bureau Service Company, St. Paul, Minn.
Farmers Union Grain Terminal Association, St. Paul, Minn.
Grange Cooperative Wholesale, Spokane, Wash.
Fruit Growers Supply Company, Los Angeles, Calif.

Federation of Regional Cooperatives Handling Supplies

(National or area cooperatives)⁸

National Cooperatives, Inc., Albert Lea, Minn.
United Cooperatives, Inc., Alliance, Ohio
National Cooperative Refinery Association, McPherson, Kans.
Northwest Cooperative Mills, Inc., St. Paul, Minn.
Central Farmers Fertilizer Company, Chicago, Ill.
Farmers Forage Research Cooperative, Madison, Wis.
Cooperative Mills, Inc., Baltimore, Md.
Central Nitrogen, Inc., Terra Haute, Ind.
Farmers Chemical Association, Chattanooga, Tenn.

⁸ Does not include wholly owned or majority-owned subsidiaries.

OTHER FCS PUBLICATIONS AVAILABLE

Supply Cooperatives. Bulletin Reprint 2.

Statistics of Farmer Cooperatives, 1963-1964. General Report 134, Bruce L. Swanson.

Cooperative Bulk Fertilizer Blending in the Upper Midwest. General Report 122, Theodore R. Eichers.

Broiler and Turkey Feed Financing by Cooperatives. General Report 118, George C. Allen.

Regional Cooperative Handling Under \$10 Million of Supplies, 1960-61. General Report 115, J. Warren Mather and Anne L. Gessner.

Lawn and Garden Services in Eastern Farmer Co-ops. General Report 107, John M. Bailey.

Transportation and Handling of Seed by Regional Cooperatives in the Southeast. General Report 101, Charlie B. Robbins.

Integrated Petroleum Operations Through Farmer Cooperatives, 1950 and 1957. General Report 58, Anne L. Gessner and J. Warren Mather.

Mobile Feed Milling by Cooperatives in the Northeast. General Report 99, Theodore R. Eichers and Arno J. Hangas.

Credit Control in Selected Retail Farm Supply Cooperatives, Area VI, New York, New Jersey, Virginia, West Virginia, North Carolina, and Georgia. General Report 71, John M. Bailey.

Inventory Management by Selected Retail Farm Supply Co-ops, Area VI, New York, New Jersey, Virginia, West Virginia, North Carolina, and Georgia. General Report 70, John M. Bailey.

Approaches and Problems in Merging Cooperatives. Information 54, Martin A. Abrahamsen and J. Warren Mather.

A copy of each of these publications may be obtained while a supply is available from --

Farmer Cooperative Service
U.S. Department of Agriculture
Washington, D.C. 20250